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Nar in Congo Drains Resolve Of Tired Nation

**With Conflict Dragging On,
Support for Kabila Ebbs,
As Does Nation's Euphoria**

By Norimitsu Onishi
New York Times Service

KINSHASA, Democratic Republic of the Congo — "Je suis 'low bat.'"

Whenever "low bat" starts flashing on their cellular phones, people here know that their batteries are nearly drained. The phrase is a fashion one here in the capital's deluxe hotels and gated villas, a coinage peculiar to a place where regular phones do not work and only the thin upper layer of society can afford alternatives.

But these days, as Congo approaches its fifth month of a war that has drawn in at least seven of its neighbors, the phrase has acquired a wider meaning. People now are as likely to utter "I am low bat" in describing their feelings toward the war as their phones.

"We don't have an army that can stand on its own," said Moise Musangana, an editor of *Le Potentiel*, an independent daily newspaper.

"We have to rely on our allies. War costs money that the Congo doesn't have. With each passing day, things are getting worse for Kabila. Why does he refuse to negotiate? People are sick of this war. They're low bat."

Such comments stand in sharp contrast to the wartime euphoria in August and September, when at the last minute the government of President Laurent Kabila won the support of Angolan and Zimbabwean troops to repel rebel soldiers on the outskirts of Kinshasa.

But after the government's dramatic victory here, the Congolese appear increasingly weary of a war that has brought hardships and that the government warns will be long.

Mawapanga Mwana Nanga, the minister of finance and agriculture, waved away reports of rapidly deteriorating economic and living conditions.

"Freedom has no price," he said. "Whether it takes us 50 years or 100 years, we will resist until they leave us alone."

Mr. Kabila, whose popularity soared after the failed assault on Kinshasa, seems to have squandered those dividends by failing to rally the support of the internal political opposition and the West.

Instead, he has become more isolated inside his own country and more dependent on foreign allies whose stomach for a long war is uncertain, said officials in government and the opposition, as well as Western diplomats.

So Mr. Kabila's standing has slipped, even as it has been confirmed that his government and nation have been the victims of aggression by foreign countries. After long denying any involvement in the war, Rwanda and Uganda have acknowledged that their soldiers are backing the

for the government, it's clear to me now I'm a senior European

said they were who has been taking office. would be in of Uganda and allies, es-

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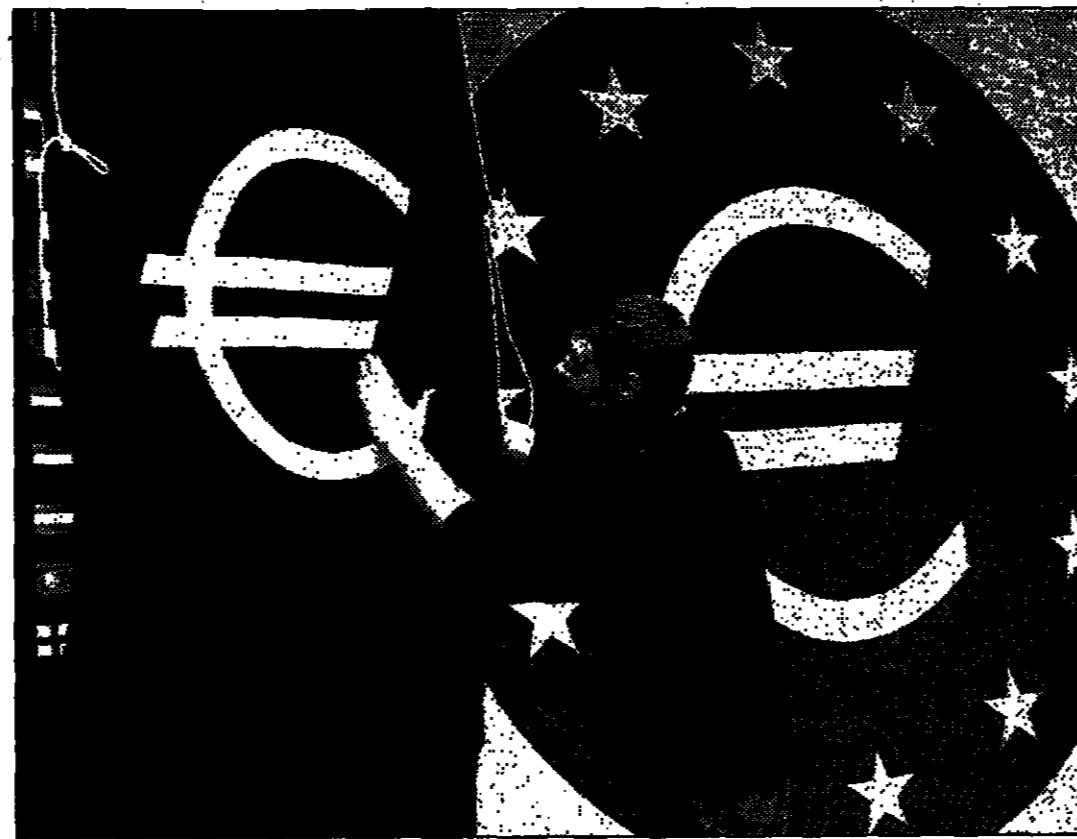
ed Mr. Kabila over- , Mobutu Sese Seko, in- jected to the Tutsi-led made him extremely un- he eventually severed his allies.

... popularity has eroded in the as memories of the Kinshasa victory ... anti-Tutsi propaganda receded before the realties of economic hardship and a war without any apparent end, Mr. Kamitani said.

Living under a military regime, in a state of war, most residents interviewed in Kinshasa expressed support for Mr. Kabila. But few nowadays echoed the universal response in August, when residents of Kinshasa would raise their

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E-Day for Europe: Euro Debuts in 11 Nations



A worker adjusting a euro flag on an electronic billboard of rates to be unveiled Thursday in Brussels.

Finance Ministers Will Set Rates

By Barry James
International Herald Tribune

BRUSSELS — In the biggest transfer of sovereignty since the creation of the Common Market in 1957, finance ministers will hand the reins of monetary power to the European Central Bank on Thursday and usher in a new currency — the euro, for some 290 million people in 11 nations.

The ministers, meeting at the European Council headquarters in Brussels and acting on advice from central banks and the European Commission, will adopt the final and irrevocable rate at which the participating national currencies will convert to the euro.

The ministers' meeting will be televised throughout the European Union, and the rates will be made available on the Internet (<http://europe.eu.int>) at about 1:30 P.M. Central European time as 3,000 blue balloons are launched into the sky.

Following publication in the European Union's Official Journal in Luxembourg, the rates will go into effect and the euro will become the single currency for all participating countries at midnight local time on Friday — meaning that it will first become reality in Finland, which is an hour ahead of most of its EU partners.

Around the world, from Tokyo to London, traders and back-office staff in financial institutions will be at work over the holiday weekend to prepare for trading in the powerful new currency — an instant rival to the dollar — when business starts on Monday.

When they awake Friday morning, most Europeans will not notice much difference. They will still have francs, marks, lire, pesetas and other familiar currencies in their pockets and purses. But those expressions of national sovereignty will effectively have ceased to exist as independent entities. Until euro bank notes and coins are introduced in the first half of 2002, the existing currencies will continue to circulate, but only as units of the euro.

The euro will be immediately available, however, for noncash transactions — such as check and credit card payments. Also, beginning Monday when the markets reopen, European stock and bond trades will be denominated entirely in euros, as will all government borrowing and other financial transactions.

Until the actual currency begins to circulate, however, no one will be obliged to accept or make payments denominated in euro.

But many of Europe's largest compa-

nies have announced that they will start using the currency immediately, simplifying their accounting procedures and eliminating transaction costs within the single currency zone.

For the first time, Europeans will have the means of directly comparing prices and costs across the Continent, which could lead to increased cross-border trade in goods and, above all, in financial services, in return for stability

Wim Duisenberg, the European Central Bank head, says he won't step down after four years. Page 11.

and low inflation, countries will surrender monetary policy to the Frankfurt-based central bank, which will establish the exchange rate for the euro against the dollar and other external currencies.

Leading European stock markets ended the last trading day of the year Wednesday on a nostalgic note, as Frankfurt completed its last Deutsche mark-denominated session and the Paris Bourse saw out the last hours of the French franc. (Page 11)

European currencies have remained rock steady in the face of crises in Asia, Russia and Latin America, and the European Commission predicts that the

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U.S. Hits More Iraqi Missile Sites

Launch of Surface-to-Air Arms in No-Flight Zone Prompts Strike

By Steven Lee Myers
New York Times Service

WASHINGTON — U.S. fighter jets attacked Iraqi air-defense batteries on Wednesday for the second time this week as Iraq carried out its threats to fire on American and British aircraft patrolling no-flight zones over northern and southern Iraq.

Four F-16s struck three Iraqi anti-aircraft sites northwest of the city of Talil in southern Iraq after a squadron of U.S. and British warplanes detected the launching of surface-to-air missiles.

The F-16s attacked with radar-seeking missiles and laser-guided 500-pound (230-kilogram) bombs, and the Pentagon said initial assessments suggested that all three anti-aircraft sites had suffered damage. On Monday, U.S. jets destroyed a surface-to-air missile site in northern Iraq.

The official Iraqi News Agency said Iraqi forces had repulsed a U.S.-led attack that left a farmer dead and two other civilians wounded. The agency again claimed, as it did Monday, that it was "virtually certain" that Iraqi forces had shot down an attacking aircraft.

The Clinton administration dismissed Iraq's claims, saying that all 24 American and British jets flying over southern Iraq on Wednesday had returned safely to their bases. U.S. officials said that the Iraqi batteries had no time to seriously threaten the British and U.S. aircraft.

The skirmish came a day after Iraq defiantly vowed to challenge the enforcement of the no-flight zones, which the United States and its allies created after the 1991 Gulf War to protect Iraqi ethnic groups in the north and south who were facing repression by forces loyal to President Saddam Hussein.

White House and Pentagon officials said they believed that Mr. Saddam wanted to test the U.S. and British resolve to patrol the zones, hoping to weaken international support for them and to boost morale inside Iraq. One official said Iraq had made similar provocations after previous U.S. strikes, in 1993 and 1996, and speculated that the skirmishes would not continue much longer.

It was clear, however, that if Iraq continued to fire

See IRAQ, Page 8

Mob Attacks Military in Indonesia

Riots Rage in Northwest Province After Villagers Kill 8 Soldiers

Compiled by Our Staff From Dispatches

JAKARTA — A mob attacked military posts Wednesday in Indonesia's northwestern Aceh Province as violence continued a day after rioters killed eight soldiers.

In Jakarta, the armed forces chief, General Wiranto, warned that the slaying of the soldiers could jeopardize a plan to reduce the military presence in the province.

"The killing was a brutal action which can never be tolerated by the armed forces," General Wiranto said. "This action could spoil the wishes of the Aceh people to free the region of military operations."

A military official said Wednesday that about 1,000 people had set fire to a police station and attacked a military post near the industrial town of Lhokseumawe on the northern tip Sumatra, about 1,600 kilometers (1,000 miles) northwest of Jakarta.

Security forces fired warning shots at the mob. A military spokesman, Lieutenant Colonel Nurdin Sulisty, said there were no reports of casualties.

On Tuesday, 200 machete-wielding villagers in Lhok Nibung stopped a bus with 16 off-duty soldiers on board and killed eight of them.

The military has detained 25 people, saying they

appeared to be members of a pro-independence group.

The military said 100 troops had been sent to the area Tuesday evening to keep order and search for the bodies of the eight soldiers. A further 200 troops were due Wednesday.

Aceh is one of Indonesia's most fiercely Islamic regions and has long battled against outside control, first against Dutch colonial rulers and in recent years against Jakarta.

Locals and human rights officials say a nine-year army crackdown against the rebels involved widespread atrocities including torture, rape and summary executions.

Indonesia's military apologized this year for past atrocities and said it was withdrawing all combat troops.

Indonesia also faces separatist insurrections in the former Portuguese colony of East Timor and the remote eastern province of Irian Jaya. Talks are underway with Portugal to settle the dispute over East Timor by offering it substantial autonomy.

Separatist protests in Indonesia have gained mo-

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Tech Transfers to China Hurt U.S., Inquiry Finds

By Brian Knowlton
International Herald Tribune

WASHINGTON — A House committee, after a six-month investigation, unanimously concluded Wednesday that U.S. technology transfers to China over the past 20 years had harmed national security.

The transfers covered militarily significant technology, including satellite missile technology, said Representative Christopher Cox, Republican of California, the chairman of a select committee investigating military and commercial deals with China.

"U.S. technology has been the subject of serious PRC acquisition efforts over the last two decades, and continues today," Mr. Cox said, referring to the People's Republic of China. "Based on unclassified information, we have found that national security harm did occur."

The funding by members of a select committee appeared significant as much for the bipartisan backing it gained from committee members as for the details revealed.

The ranking Democrat on the committee, Representative Norman Dicks of Washington, agreed that the report was assembled in a bipartisan spirit by the five Republican and four Democratic

members of the panel. Earlier congressional studies of technological dealings with China had come largely from Republicans, and had been dismissed by Democrats and the White House as partisan and lacking substance.

Mr. Dicks said the White House had promised to carefully consider implementing its recommendations. The committee made 38 recommendations for legislation and executive action.

A committee source, who spoke on condition of anonymity, said the report contained no explicit criticism of the Clinton administration.

See CHINA, Page 8

Cheap Chinese Exports Flood Neighboring Countries

By Thomas Crampton
International Herald Tribune

Hsipaw, Burma — Never during his half-century of selling hats in northern Burma has U Sai Lone witnessed such a shift in fashion tastes.

In the three years since he first sold hats from China, customers have increasingly rejected traditional hand-crafted hats in favor of the more durable machine-made imports.

"In truth, I think most people still prefer the shape of the Shan hats, but the Chinese hats are much cheaper

and last longer," U Sai Lone said. He sells Chinese hats for less than half the 250 kyat (72 cents) price of Shan headwear.

A brief stroll past other stalls in Hsipaw's covered market reveals a wide array of Chinese consumer goods on sale, including virtually all blankets, children's clothes, toothpaste, shampoo, soap, batteries, key rings, hair clips, winter jackets and shoes.

Beyond illustrating the clash of cottage industry with large-scale manufacturing, analysts said the flood of cheap goods demonstrated how China's economy, party in response to policy set in Beijing, has pushed

across formerly closed borders to inundate less-developed neighbors. Much of this trade never shows up in official figures, which show Chinese foreign trade declining slightly over the past year, even as the overall economy expanded at a 7.8 percent clip. (Page 11)

Unless protectionist barriers are erected, some analysts said, manufacturers from the world's most populous nation will increasingly leverage economies of scale to wipe out their nascent cross-border competitors and send truckloads of fluorescent-green plastic

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AGENDA

Israelis Revisit A Jewish Question

JERUSALEM (NYT) — In a court decision that is expected to revive the divisive issue of who is a Jew, a district judge ordered the Israeli government Wednesday to recognize conversions to Judaism performed by non-Orthodox rabbis.

Strictly Orthodox Jewish politicians immediately denounced the ruling and promised to circumvent it by bringing a bill to the Knesset next week that confers the sole right to perform conversions on the Orthodox rabbinate.

But leaders of the Reform and Conservative movements here celebrated what they consider a landmark victory in the battle to secure equal status for their movements in the Jewish homeland, where the Orthodox control religious life.

See JUDAISM, Page 11

The Dow

Wednesday close percent change

-42.34 9,274.84 -0.50%

S & P 500

-8.84 1,231.93 -0.75%

Nasdaq

-14.30 2,168.94 -0.65%

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Nightmare on the Tasman Sea

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China Claims 25% Growth Rate

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The Internet www.iht.com

Happy New Year

This issue of the International

THE AMERICAS

2000 Race Is On for Republicans as Senator McCain Launches a Test Bid

By Terry M. Neal
and David S. Broder
Washington Post Service

WASHINGTON — Senator John McCain of Arizona, a Vietnam War hero who has gained national attention for bucking his party on campaign-finance reform and tobacco regulation, on Wednesday became the first Republican to take formal steps toward running for president in 2000.

Although Mr. McCain, who was elected to a third term with a landslide victory in November, is traveling abroad, papers were filed on his behalf Wednesday with the Federal Election Commission creating presidential exploratory committee.

"The formation of an exploratory committee marks the first significant step forward in a campaign for president by John McCain," said Warren Rudman, the former New Hampshire senator, who will chair the committee.

Republicans around the country said that although Mr. McCain starts as a long shot, he could become a serious candidate in 2000, especially among voters turned off by Washington's raw partisanship of recent years.

Mr. McCain is known as a strong conservative, but has displayed an independent streak that has often frustrated and angered other Republicans. This year, he co-sponsored a major campaign-finance reform bill with Senator Russell Feingold, Democrat of Wisconsin, and led unsuccessful efforts to pass a national tobacco regulation bill.

Mr. McCain is the first of what is likely to be a long parade of Republican presidential hopefuls, including Governor George Bush of Texas, former Governor Lamar Alexander of Tennessee and the publisher Steve Forbes, among others. The 2000 campaign is the first in decades in which no one can claim on the basis of position that he is

"entitled" to the nomination.

Time and organization could work against Mr. McCain, who has spent less time building the framework for the increasingly complicated task of running for president than many of the other potential candidates.

Officials in New Hampshire and Iowa, the first states in the nominating process, said Mr. McCain had spent relatively little time in their states. Then there is the overwhelming pressure to raise money — experts predict candidates will need \$20 million to be competitive.

Several states, most notably California, have moved their primaries forward in 2000, requiring candidates to raise money faster and earlier than ever and diminishing the prospects of dark horse or poorly financed candidates.

"I would say aside from the process, McCain's got a tremendous prospect for growth," said a former Republican National Committee chairman, Haley Bar-

bour. "He's a national hero, attractive, well-spoken, high energy. And he's pretty well-known, even though he doesn't have a national name."

Mr. Feingold said Mr. McCain "has a willingness to take an honest look at an issue and say what he thinks."

"He does not feel constrained by anyone else's agenda," he added. "I'm not sure Republicans are smart enough to nominate him, but if they do, we will give us a run for our money."

Mr. Bush, son of the former president, is leading in the early polls and has a national fund-raising apparatus. But he has had little exposure to the primary-election voters who control the nomination. He has not made any decision on running, and likely will not do so until the spring, when the Texas legislature winds up its work.

Mr. Forbes and Mr. Alexander, who both sought the nomination in 1996 and have been on the campaign circuit con-

tinually ever since, are considered certain contenders. Former Vice President Dan Quayle is also gearing up to run. The television commentator and columnist Patrick Buchanan, who ran in 1992 and 1996, is considering a third campaign.

Mr. Rudman said Mr. McCain's sponsorship of campaign-finance reform "is a problem among elected officials and party officials, but I think the rank-and-file voters agree with what he was trying to do." Some conservatives said Mr. McCain's role in the tobacco debate could prove troublesome among conservative primary and caucus voters. The tobacco bill, aimed at curbing teen-age smoking by increasing the cost of cigarettes, would have raised billions in government revenue for anti-smoking efforts nationwide. Conservatives complain that the bill was a "big government" solution to a social problem that taxpayers would have financed.

Mr. McCain, who opposes abortion, received a 95 percent rating from the American Conservative Union in 1996. He has received broad support from Hispanics in Arizona, and urged the Republicano Party to be more inclusive. An internationalist on trade and foreign policy, Mr. McCain has given President Bill Clinton crucial support on several controversial issues. He backed Mr. Clinton's decision to send peacekeeping forces to Bosnia, and, as a Vietnam veteran, his endorsement of resuming normal diplomatic relations with Hanoi gave Mr. Clinton the political cover he needed to take that controversial step.

Mr. McCain, 62, a graduate of the U.S. Naval Academy whose father and grandfather were both admirals, was a U.S. Navy pilot in Vietnam. He survived the destruction of his fighter plane but spent more than five years in a prisoner of war camp, withstanding torture and refusing early repatriation offers from his captors in order to remain with his fellow prisoners.

Lott and Prosecutors Clash Over Witnesses

Clinton Trial Could Start Jan. 11, He Says

By Eric Schmitt
New York Times Service

WASHINGTON — The Senate majority leader, Trent Lott, and the House Republicans planning to prosecute an impeachment trial of President Bill Clinton in the Senate have clashed over whether to call any witnesses.

Mr. Lott also proposed beginning the Senate trial on Jan. 11, after initial procedural steps next week, and finishing within two weeks, a timetable many Democrats dismiss as overly optimistic.

How long a trial lasts depends in large part on whether the Senate relies on the evidence gathered by the independent counsel, Kenneth Starr, or whether the House managers present witnesses.

"Are witnesses required? I don't think so," Mr. Lott, Republican of Mississippi, said in a telephone interview with The Associated Press.

"I think the record is there to be reviewed, read, presented in a form" that the House prosecutors choose, the senator said. "I think that would be sufficient."

But in their first strategy meeting since Dec. 19, when the House approved two articles of impeachment, Representative Henry Hyde, Republican of Illinois, who is chairman of the House Judiciary Committee, and his 12 handpicked managers agreed Tuesday that they had to present witnesses to make their best case to remove the president from office.

"We cannot proceed to a trial without witnesses," Representative Steve Buyer, Republican of Indiana, said after the meeting.

Representative Bill McCollum, Republican of Florida, said afterward, "I'd think they'd want to hear some people live."

The Senate, however, has control

over the rules and procedures of the trial, a fact that Mr. McCollum acknowledged Tuesday when he noted that the House managers were "guests" of the Senate.

Mr. Lott has made it clear that he wants the Senate to wrap up an impeachment trial quickly, although the White House could call witnesses in Mr. Clinton's defense.

But even one of the president's strongest Democratic defenders, Senator Robert Torricelli of New Jersey, said Tuesday, "There is a bipartisan belief in first decades in which no one can claim on the basis of position that he is

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A More United Europe Worries About Globalizing NATO

By Joseph Fitchett
International Herald Tribune

PARIS — In 1998, Europe seemed to find its footing in NATO's post-Cold War posture, finally making a promising start on European military cooperation, demonstrating a new readiness to use force and pulling down barriers to consolidating its national defense companies into Europe-wide industries.

Ultimately, these moves could lead to a more balanced security relationship between the United States and its allies, according to NATO officials.

Taken with the smooth closure this year of alliance enlargement to include three new members from Central Europe, there seems to be much to celebrate next year when Washington hosts ceremonies marking the 50th anniversary of the North Atlantic Treaty Organization.

But just when they need time to work through their promising changes and help from the United States in completing them, the European allies risk running into political static in Washington because of U.S. wishes to recast NATO in a role approximating a global policeman — a futuristic vision of the alliance that European policymakers see as premature now, and perhaps forever.

The White House seems hopeful of launching "global NATO" at the NATO summit meeting in April as a historic initiative starting President Bill Clinton as warrior-statesman, with a supporting cast of 18 allied leaders and conceivably President Boris Yeltsin of Russia.

A National Security Council official said last week that "the NATO theologians are codifying fresh visions for their favorite organization, and the spin doctors see colossal opportunities for the president to bestride TV screens."

For most allied governments, the timing is wrong because they already have their hands full trying to nurse the single currency, the euro, through its infancy. And they fear an open-ended debate, saying it would change little except on paper and could prove divisive just when trans-Atlantic understanding is needed to help Europe assume more of the Western security burden.

Usually, the shoe is on the other foot, with Washington insisting on substance while many allies get stuck on questions of style. At NATO headquarters, officials have recycled last year's favorite anecdote — about a French diplomat complaining that "NATO obviously works in practice, but where's the theory?" — and the joke is now redirected

at the sudden signs of an American obsession with doctrine.

For once, Britain, France and other European governments feel that they are moving seriously on defense, so they want Washington to let the alliance stand on its laurels and not roll allied relations, a pro-American ambassador at NATO headquarters said.

Broadly agreeing, David Wright, Canada's ambassador to the alliance, said that the unity "achievable in the face of a grave humanitarian crisis in Kosovo may be more elusive as we prepare a theoretical framework" for the Washington summit.

In practice, NATO's changes this year seemed to point toward a post-Cold War configuration enabling the alliance to cope with most foreseeable security contingencies, NATO officials said.

History may well single out Kosovo as the catalyst for European seriousness about defense. It spotlighted the situation in which, 10 years after the Cold War's end, three years after Bosnia, Europe still depends on Washington to take charge in managing a crisis in a part of Europe where the United States has no vital interest at stake.

For most European allies, it was an agonizing change in their traditional security policies to accept the U.S. view that

NATO needed to intervene in the crisis without specific approval from the United Nations Security Council. In the process, American and European officials said in recent interviews at NATO headquarters, the allies seemed to change their thinking on two fundamental points.

The situation convinced European governments, notably France, that U.S. leadership via NATO remains indispensable in meeting any significant military challenge on the Continent.

Secondly, it convinced allied countries, notably Britain, that the allies needed to start developing their own military muscle to deal with crises where there is no obvious justification for U.S. forces to be involved — or risk losing support in Congress for U.S. engagement in Europe and NATO.

The result was a new constellation of European countries in charge of security policy. Britain, long wary of involvement in Europe, took the initiative on cross-border mergers in the defense industry and in launching cooperation among Europe's armed forces.

France seized the opportunity to work with Britain in security affairs, shedding much of the anti-American rhetoric that has been the subject of most French steps in this direction.

Germany, the centerpiece of NATO

when it was focused on territorial defense in the center of Europe, has joined the movement led by Britain and France toward reshaping national military forces to start fighting small wars outside Western Europe.

Theoretically, this approach could give Europe five years from now a 50,000-strong expeditionary force with enough self-confidence, firepower and advanced equipment to take care of a future Kosovo without direct U.S. involvement.

In the meantime, European officials say, NATO can thrash out its own guidelines about how far and for what goals these forces should be dispatched.

Too slow, say activists in Washington, who want NATO to sign up for missions as far away as the Middle East and to formalize its own role in fighting arms proliferation and terrorism.

In addition, some voices in Washington want NATO to broker more industrial cooperation so that European armies get access to the latest computer-based defense technologies. Already changing the way U.S. forces will fight future wars, this revolution in military affairs will have to spread among the allies if they are going to be able to operate effectively together.

"We see NATO as a bicycle that has to keep moving or else the rider falls off, so there's a feeling that we need to be very forward-thinking," an American official said, predicting that Congress and the media would react negatively if the Washington summit failed to produce initiatives aligning NATO more closely with U.S. concerns about global security.

That voice alarms Europeans, who feel the NATO bicycle already has sufficient momentum and could suffer from an attempt to spell out broad ambitions right now.

Take the sensitive issue of the Clinton administration's wish to formalize NATO's readiness to act without a Security Council mandate. European governments would prefer to stick to what a French policymaker called the "constructive ambiguity" about the grounds for intervention in Kosovo that produced NATO unanimity by allowing each government to find its own terms for justifying the controversial step to its own public opinion.

"We will do it again if necessary, but we have no intention of giving NATO a blank check," a French official said.

Anyway, added a British official, "It's not good for NATO to arrogate to itself what sounds like a unilateral right — if only because it might give similar ideas to the Russians or the Chinese about invading some small neighbor of theirs."

The European dilemma about the Security Council, which France and most other allies regard as a major source of their international prestige, was abruptly aggravated this month by the U.S.-British air raids on Iraq.

If allied governments' acquiesce in U.S.-led operations that sideline the Security Council, it weakens the world body. But if they reject U.S. calls for allied solidarity, it could push Washington toward greater unilateralism and ultimately bring on the demise of the Security Council. The way out of this dilemma, European officials said, is to treat the question on a case-by-case basis without the doctrinal alignment that appeals to Washington.

European hopes of a hearing for their ideas are pinned on Washington's recognition that the allies have launched real changes. The French foreign minister, Hubert Vedrine, pointed out in a recent interview that his government would provide the NATO extraction force to rescue international monitors in Kosovo, a dangerous mission because Serbia has threatened to fire on any foreign troops.

France's commitment fits a pattern, according to an American official, in which "France has seized every opening for months to get pragmatically engaged in NATO."

That approach should help soothe the jangled nerves in Washington about the European defense cooperation announced last month.

Britain's involvement in this plan offers reassurance that NATO will not suffer. And by playing the military card to offset Britain's declining economic influence in the single-currency European Union, Prime Minister Tony Blair also had an eye on Washington, British officials said, explaining that London realizes its stains in Washington depends on Britain being important in some sphere of European Union affairs.

Britain has also led the way as European countries, finally, this year, including France, privatized their defense industries, a crucial condition for cross-border mergers in Europe and perhaps eventually trans-Atlantic cooperation.

BRIEFLY

German Party Hires Ex-Communist Spy

BONN — Despite criticism from conservatives, the former East German Communists held fast Wednesday to their plan to hire a convicted spy who betrayed North Atlantic Treaty Organization secrets during the Cold War.

Rainer Rupp, a West German who worked as a communist mole at NATO headquarters in Brussels from 1977 to 1989, has been serving a 12-year prison term since his 1992 conviction for spying. But he was moved Monday to a minimum-security facility, meaning he can hold an outside job during the day. He said he would work on a contract basis as an adviser on foreign and security affairs for the Party of Democratic Socialism's parliamentary faction.

Conservative lawmakers called the proposal "prosthetic" and "cheeky" and said they would ask a parliamentary rules committee to examine the case. (AP)

Pakistan Court Lifts Bhutto Travel Ban

KARACHI, Pakistan — Former Prime Minister Benazir Bhutto left for Dubai on Wednesday after a court overruled a government decision banning her from leaving the country.

On Monday, immigration authorities stopped Miss Bhutto at the Karachi airport, saying she was banned from leaving the country because of corruption cases pending against her in several courts. Her lawyers appealed the decision.

A spokesman for Miss Bhutto's opposition Pakistan People's Party said Wednesday that she would remain in Dubai for several weeks visiting her son and two daughters who live there. (Reuters)

Friendly Fire Kills Israeli in Lebanon

JERUSALEM — An Israeli soldier was killed and two were wounded before dawn Wednesday when one Israeli Army unit mistakenly opened fire on another in southern Lebanon, an army commander said.

The two units had started out together on a patrol in Israel's self-declared security zone in Lebanon, but they were separated when one group lost its way.

"The rear unit separated from the front forces and mistakenly thought they were terrorists," Brigadier General Etti Etan, an army commander in the area, told Israel radio. "The rear force opened fire on the front force." (AP)

Scottish Avalanche Kills 4 and Hurts 3

EDINBURGH — Two men and a woman were recovering from hypothermia in a hospital on Wednesday after surviving for more than 15 hours entombed under an avalanche of snow that killed four others on a mountain in northern Scotland.

Rescuers and doctors described the survival of the three as miraculous. Police officers and rescuers said six young people from England and their Scottish guide were buried by snow Tuesday morning while on a winter skills course not far from the highest peak in Britain, Ben Nevis. Rescuers were alerted 12 hours later after the group failed to return to their base. (Reuters)

For the Record

More people around the world will need humanitarian assistance in 1999 because of 1998 crises like the hurricane-damaged Mitch and economic collapses in Indonesia and Russia, a United Nations agency that delivers emergency food aid said Wednesday in Rome. (AP)

Major reformist political organizations supporting President Mohammad Khatami of Iran have joined forces against conservative rivals for upcoming municipal council elections, newspapers reported Wednesday. (Reuters)

We Know What the Alliance Does, but What Is It For?

Q & A / Francois Heisbourg, Defense Analyst

Ahead of the North Atlantic Treaty Organization's high-profile summit meeting next year, European policymakers fear that the alliance could overreach itself in setting new political guidelines suggested by the United States. Joseph Fitchett of the International Herald Tribune discussed the situation with Francois Heisbourg, chairman of the Geneva Center for Security Policy, which provides training in democratic practices for mid-career officers from former Warsaw Pact nations under a NATO program, Partnership for Peace.

Q. What is NATO's urgent agenda?
A. We know what NATO does — it manages the trans-Atlantic relationship — and we know it has found a new, constructive role in Bosnia and, hopefully, in Kosovo. So the time has come to figure out what it is really for. This involves big questions — for example, Russia's future place in the scheme of things — that needs to be discussed, but that could not and should not be settled at the NATO summit. There is a risk of over-

load that can be avoided with diplomatic fudge. For example, now that NATO already operates outside its traditional theater in ex-Yugoslavia, how far should it go? It's one of those questions that allies can discuss but shouldn't try to answer.

Q. Why does Europe object to the idea of a "global NATO"?

A. The United States is a global power and Europe is not. It would be a mistake for the Europeans to pretend that they can act as one when they have neither the will nor the ability to do so. Nor do I see any sign that the Americans want to pay the political quid pro quo for Europe to take a forward strategic stance. I don't think Washington wants to see the Europeans muscling in on the Taiwan issue or the Arab-Israeli peace process. What Americans should ask is: Would European defense cooperation serve U.S. interests in Europe? It would.

Q. Can NATO promote trans-Atlantic integration in the defense industries?



Francois Heisbourg discussing the NATO agenda as its summit nears.

Cyprus Party Threatens To Pull Out of Coalition

Reuters

NICOSIA — The Socialist junior partner in the government of Cyprus threatened Wednesday to pull out over a decision to cancel the deployment of Russian-made missiles on the divided island.

"For reasons of political credibility and sincerity, the political bureau is recommending to the Central Committee of the party its immediate withdrawal from the government," said Vassos Lysandris, the chairman of the EDEK Socialist Party of Cyprus.

Expert Witness Links Anwar to Mattress Stains

Reuters

KUALA LUMPUR — A government chemist told a Malaysian court Wednesday that some sexual fluid stains found on a mattress belonged to former deputy Prime Minister Anwar Ibrahim and the wife of his former private secretary.

Lim Kong Boon said at Mr. Anwar's sex and corruption trial that DNA analysis showed 13 stains on the mattress were from Mr. Anwar, the woman, Shamsidah Taharin, another male and two other women. He did not identify the others.

He said the possibility of another male from Malaysia having the same DNA profile as the sperm stains attributed to Mr. Anwar was "approximately one in 59 billion."

The prosecution says the mattress came from an apartment where Mr. Anwar had been rumored to have held trysts with Shamsidah Taharin.

The defense implied the mattress could have come from Mr. Anwar's former official residence shared with his wife and family.

"The DNA identifier showed that there were five sources, two males and three females from the seminal stains," Mr. Lim said.

"My reference to male I based on the DNA result I obtained is Datuk Seri Anuar Ibrahim," he said.

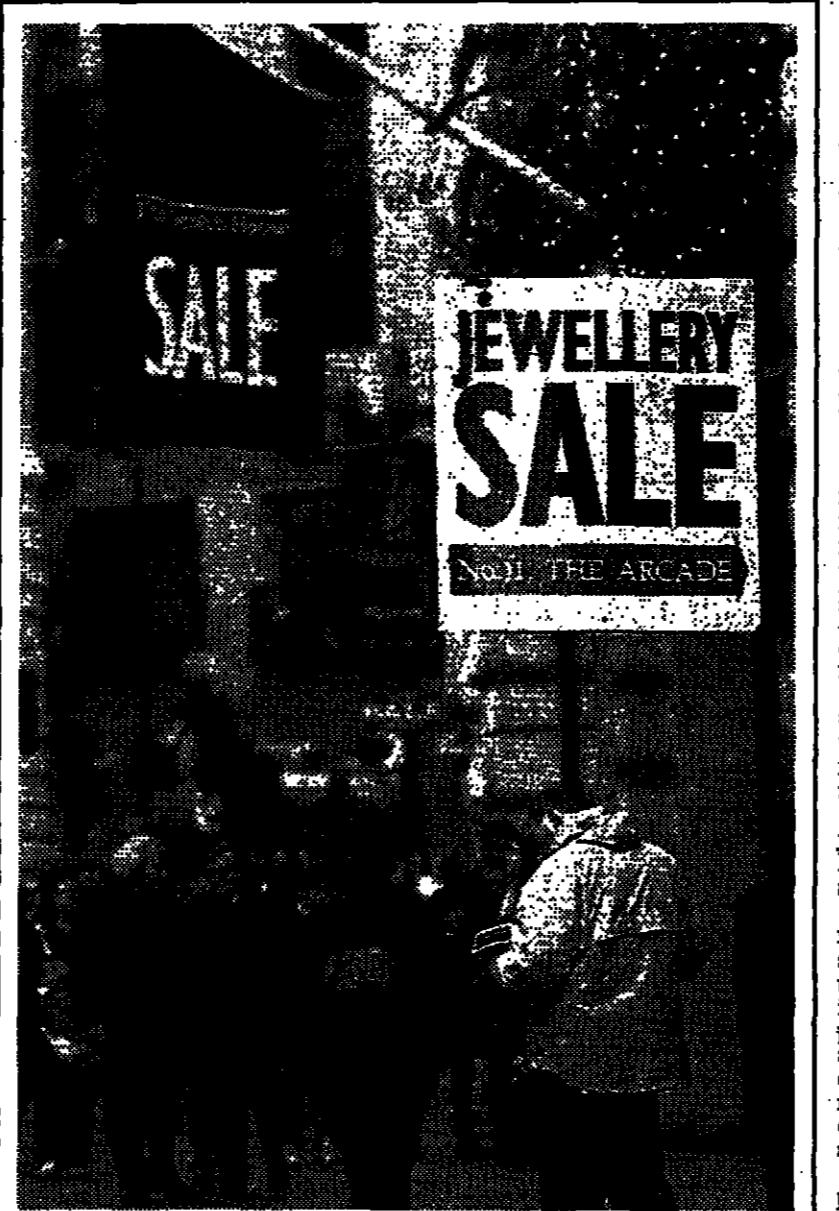
Mr. Anwar, arrested in September, has pleaded not guilty to five counts each of corruption, allegedly abusing his power to stop police probing allegations of sexual misconduct, and sodomy.

He said he was framed by enemies bent on destroying his political career.

Mr. Lim told the court that two of the spots on the mattress were "mixed stains" from Mr. Anwar and Shamsidah Taharin, the wife of Mr. Anwar's former private secretary, Mohd Azmin Ali.

Mr. Anwar's lawyers objected to Mr. Lim's method in identifying their client, saying a sample of Mr. Anwar's blood used to compare with the seminal stains had been drawn for a HIV test, not a DNA test.

But Judge Augustine Paul, citing cases of precedent in three other countries, ruled that the method was admissible.



BARGAIN HUNTING — Londoners checking out the sales on Regent Street on Wednesday as millions of Britons — but fewer than last year — flocked to shops in search of end-of-year bargains.

Asked whether Ankara planned to issue a threat against Greece, Mr. Cem replied, "Theoretically, in Crete or elsewhere, if there is a threat directed toward Turkey we will analyze the threat and react with appropriate means according to the scope of the threat."

Turkey, which has occupied the northern third of Cyprus since invading after a brief Greek-inspired coup in 1974, had threatened to destroy the missiles if they were deployed on Cyprus, saying they would pose a danger to mainland Turkey.

The Turkish foreign minister, Ismail Cem, warned Wednesday that deployment on Crete would increase tension between Greece and Turkey.

"Such a plan to deploy S-300s on Crete would increase an already dangerous situation in the Aegean," Mr. Cem said at a news conference. "I find it incredibly wrong that one NATO-member country should bring missiles to threaten another NATO country."

Turkey and Greece, partners in the North Atlantic Treaty Organization, have long been at odds over territorial rights in the Aegean and over Cyprus.

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This negotiating dynamic — including a rigid attachment to principle, a lack of urgency and optimism on each side that

the conflict can be manipulated to its benefit — accounts for the persistent tensions that led to the upswing in violence last week between rebels and government forces in Kosovo, said the officials, all familiar with the negotiations conducted so far at Washington's behest.

The fundamental problem is that neither side is ready for a deal right now," a senior U.S. official said. "Think of the Mideast. Think of Northern Ireland. Forget Bosnia. Forget the Dayton Accords," which ended the Bosnia conflict and were forged in a matter of weeks.

Washington's aim in organizing shuttle diplomacy between the two sides during the past six months was to persuade the Yugoslav government and rebel forces fighting for an independent Kosovo to back away from the violence that had swayed for most of the year. Instead, it was hoped that the opponents would accept a half-loss, temporary solution that provides more autonomy for the majority ethnic Albanian population in Kosovo but defers any decision on the province's final legal status.

But the ethnic Albanians spurned Washington's latest draft solution, a 28-page document prepared by State Department lawyers working with Mr. Hill, who is ambassador to Macedonia and the special U.S. envoy for Kosovo matters. The ethnic Albanians said the U.S. initiative did not go far enough toward removing Serbian control of Kosovo.

Ethnic Albanians, who comprise nine-tenths of the population, almost uniformly favor independence for Kosovo from Serbia, the more important of the two republics in the Yugoslav federation.

The reaction of the Kosovo Liberation Army, which has spearheaded the conflict for ethnic Albanians, was even stronger. Several guerrilla officials said they would order renewed fighting if necessary to obtain more favorable terms.

But U.S. diplomats say they are hammed in by the reluctance of the government in Belgrade to give the province powers that may embolden its leaders to expect independence later. Moreover, they have encountered strong opposition from the leaders of Yugoslavia's other republic, Montenegro, to any interim deal that allows Kosovo to gain a status similar to a republic.

The key players "still think they have too much time" before the spring thaw begins and a wider conflict looms, making them reluctant to take the U.S. proposal seriously now, one official said.</p

BRIEFLY

*German Party
Ex-Communist*

BROWN - Denver conservative, 50, who returned Sunday to the state visited TV station Atlanta, Georgia, where he spoke during a break in the **Raines Report**. Wren worked as a **NATO** field reporter from 1957-60. A 12-year press veteran, he traveled around the world, including South America, Africa, Australia, and Japan, before he would accept an offer to return to the **Post-Sentinel**.
Closely associated with the paper's "checkers" parlance, Brown has been a

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OPINION/LETTERS

Pat Moynihan Makes One of His Rare Slips

By George E. Will

WASHINGTON — There may be sound reasons for not removing President Bill Clinton, but Senator Daniel Patrick Moynihan's reason is not among them. Indeed, Mr. Moynihan's emasculation of it becomes a reason for removing Mr. Clinton. Otherwise, retaining Mr. Clinton may seem to ratify Mr. Moynihan's reasoning, which is unjust to the nation.

Identifying Mr. Moynihan as the Senate's preeminent intellectual is akin to identifying Iowa's tallest mountain — faint praise for the finest senator of his generation. When Mr. Moynihan leaves the Senate in 2000, public life will lose (in the words of Michael Barone, author of "The Almanac of American Politics") "the nation's best thinker among politicians since Lincoln and its best politician among thinkers since Jefferson."

That encomium is, if anything, too tepid for the 71-year-old legislator, whose cherubic face should be the sixth painted on the wall of the Senate reception room, next to portraits of Clay, Calhoun, Webster, La Follette and Taft.

Still, Horner nods, and so, occasionally, does Mr. Moynihan. He did last week, with brio, when he said that the removal of Mr. Clinton might "destabilize" the presidency, and that the risk is intolerable because America is an "indispensable nation."

That analysis, by a remarkably gifted social scientist, is notably unempirical regarding America's political stability. And linking Mr. Clinton's fate to America's world role may not be a kindness to Mr. Clinton.

It is odd to assert that the health of the presidential office is served by Mr. Clinton's continuation in it. The assertion's unspoken postulate is that the office is so brittle that it might be gravely damaged by severing Mr. Clinton from it.

Mr. Moynihan is correct about America's indispensability. That is demonstrated, powerfully if negatively, by the collapse of Mr. Clinton's statecraft, from Iraq to North Korea. Yet Mr. Moynihan links his points about "indispensability" and "instability":

"There has to be a commander in chief. You could very readily destabilize the presidency, move to a randomness. That's an institution that has to be stable, not in dispute."

Well, yes, but the commander in chief was removed during the depth of the Cold War, with Soviet power waxing and U.S. forces engaged in Southeast Asia. The result was not randomness but the Ford presidency.

Mr. Moynihan's argument implies that for the duration of America's "indispensability," the constitution's impeachment clause is a dead letter, too dangerous to act on.

In a television interview, Mr. Moynihan said: "It would be hard to imagine, but stranger things in the world have occurred, where a congressional majority began routinely removing presidents; speakers become president, no one knows who is the commander in chief, who is the chief executive officer, and the whole stability of this nation, on which the stability of the world rests, could be seriously and grievously undermined."

He also said, "We could so easily" — so easily? or is it "hard to imagine"? — "mutate into a president of the month."

Gracious. Can we please deal with Mr. Clinton without indicting the American public? Conservatives denounce the public as strangely anaesthetized; Mr. Moynihan suggests the public is on the verge of tolerating wild political volatility. A plea to the political class: Keep Mr. Clinton or spare him, but spare the rest of us these theatrics that make the rest of us the problem.

In a sense, instability in the presidency is, by now, old hat, and hardly unnerving to

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In a sense, instability in the presidency is, by now, old hat, and hardly unnerving to



this republic in its maturity. Six of the seven presidencies immediately prior to Mr. Clinton's were truncated — by assassination (Kennedy), intraparty strife (Johnson), scandal (Nixon), or disgruntled voters (Ford, Carter, Bush). Then came Mr. Clinton, whose sorrows are the result not of "randomness" engulfing the presidential office, but of his lubriciousness making him ridiculous and felonious.

The great datum of the moment — like the professed letter, it is in plain view and for that reason is unnoticed — is the disconnection between presidential instability and national stability.

A New York Times headline (Page 1, column six, no less) records astonishment: "Politics No Distraction."

That is for a bulletin about what the headline calls the December "surge of shopping." (Now, there is news.) A Wall Street Journal headline expresses similar amazement: "Despite Everything, America Still Embraces a Culture of Optimism."

Despite "everything"? No,

despite just one thing, the president's pratfalls. And presidents are very rarely indispensable. De Gaulle was right. Graveyards (including, since 1970, one at Colombey-les-Deux-Eglises) are full of indispensable men.

Political journalists believe that political news, and hence political journalists, are central to America's neurological health. That is news to other Americans, or would be if they were paying attention, which they are too wholly-somewhat busy to do.

Washington Post Writers Group.

LETTERS TO THE EDITOR

Malaysians Respond

In response to "Mahathir's Economic Policies Could Bring His Downfall," by David Roche (Opinion, Dec. 15):

Mr. Roche presents misleading arguments on Malaysia's economic and financial performance that amount to wishful thinking, viz., that social upheaval will force Prime Minister Mahathir bin Mohamed to resign so that Mr. Roche's friend Anwar Ibrahim can take over.

He says that Mr. Mahathir forced "the central bank to make substantial cuts in interest rates and the mandatory reserves of commercial banks." He should be aware that the United States and many industrialized countries have made rate cuts at the mere prospect of slower economic activity.

He cited the credit overhang as the cause of the economic crisis in Malaysia. Although the ratio of bank credit to GDP was high at 153 percent in 1997, Mr. Roche failed to mention that deposits as a percentage of GNP were even higher, at 166 percent. The banks, therefore, have financed their lending from domestic savings.

He also grossly exaggerated the total funding needs of Malaysia at 98 billion ringgit (\$25.8 billion), or 37 percent of GDP. Our own estimates show a much lower requirement of 62 billion ringgit. The gap will be more than adequately financed from non-inflationary domestic sources without recourse to deficit financing.

K. C. LBONG.
Kuala Lumpur.

Among the factual mistakes: Malaysia does not have a current account deficit, as reported, but rather a surplus of about 20 billion ringgit is anticipated for 1998, and a surplus of 11 billion ringgit next year. Also, the governor of the central bank resigned rather than was sacked.

The estimates of nonperforming loans reaching 40 percent of total lending and the government's need of 56 billion ringgit, or 22 percent of GDP, to restore the market is way off the mark. Using the three-month criterion, such loans amounted to 12.8 percent, about a third of Mr. Roche's estimate.

ZAINAH YUSOF.
Kuala Lumpur.

The writer is a member of the National Economic Action Council working group.

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PLEASURES OF VIENNA

DURING 1999, ALL VIENNA WILL HEAR A WALTZ

It is a fair guess that if a casual visitor to Vienna is asked for the name of the city's most popular musician of past times, the answer will almost certainly be "Strauss." Especially at this time of year, the king of the concert hall and the ballroom is Johann Strauss.

This is where a slight difficulty creeps in, because there were in fact two Johann Strauss, father and son, each a distinguished composer in his own right. To make things even more complicated, the younger Strauss had two

brothers, Josef and Eduard, both of whom dabbled, with appreciable success, in the business of music making.

During the year ahead, Vienna is paying special tribute to the younger Johann Strauss. The centenary of his death in 1899 has been chosen as the occasion for a series of events to be held between — to refer to two of his works — the "Vienna Woods" and the "Blue Danube."

The Viennese are well aware that their quality of life depends, to a great extent, on the city's natural

features. With a full half of the municipal area accounted for by forest or green spaces — a fair proportion of the latter in the form of vineyards — the countryside is always felt to be within walking distance or, at least, easily accessible by public transport.

Vienna even has part of the Danube Wetlands National Park (which it shares with the neighboring province of Lower Austria) within its city limits. And, contrary to the view expressed by some, the river really is blue — or, at any rate, of sufficiently fine water quality for aquatic pursuits right along the 20 kilometers (12 miles) mid-river "island" where the whole left-bank channel is reserved for pleasures like swimming, waterskiing, windsurfing and rowing.

New Year's performances Vienna's main opera houses, the Staatsoper and the Volksoper, are both devoting two whole days, Dec. 31 and Jan. 1, to performances of Strauss's timeless popular work "Die Fledermaus."

New Year's Day, too, is traditionally the day for a concert of works by the whole Strauss dynasty, played by the Vienna Philharmonic Orchestra, conducted this time by Lorin Maazel. Performed in the magnificent Golden Hall of the Musikverein, this musical event can be shared by practically the whole world on television.

Later in the year, and directly accessible in Vienna itself for all comers, is the summertime open-air Music Film Festival. This features many top video recordings of Johann Strauss stage works — including "Vienna Blood" and "A Night in Venice" — and other performances shown on a giant screen.

For this, City Hall Square is transformed for two months into a vast meeting place for Viennese and visitors alike. Adjacent food stands offer a mouthwatering range of cooking from all corners of the Continent as well as far-flung.

It is this increasing ethnic diversity that has recently come to

characterize the Vienna scene, not only with regard to cuisine — although the many street markets testify to this in particular — but also in multicultural theatrical events of all kinds. The number of movie houses showing films in the original language — a rarity as recently as 10 years ago — is yet another manifestation of the in-

Johann Strauss and his memorable music are intrinsically linked to Vienna's Sacher torte, the Giant Ferris Wheel, the Heurigen wine taverns or St. Stephen's cathedral. Without his music, his Blue Danube would this city be able to hard to imagine.

MICHAEL HAUPF,
MAYOR AND GOVERNOR OF VIENNA

international atmosphere of Vienna toward the end of the 20th century.

Strauss exhibition
In the spring and summer, traditional festive activities unfold for historically and artistically minded tourists from all over the world. During 1999, several major exhibitions are scheduled, including a comprehensive show of 550 works by Johann Strauss, in printed or original manuscript form, at the Historical Museum of the City of Vienna, together with contemporary paintings and photographs.

Meanwhile, costumes, set designs and scores of all 18 of Strauss's stage works will be on view at the Austrian Theater Museum.

As might be expected, the opening of the 1999 Vienna Festival in front of City Hall will feature music by Johann Strauss, played by the Vienna Symphony Orchestra under Vladimir Fedoseyev. The Vienna Philharmonic

Orchestra, "following in the footsteps of Johann Strauss," will perform an open-air mega-concert on Heldenplatz (Heroes' Square), with Zubin Mehta conducting.

The renowned Vienna Staatsoper, or State Opera house, will be opening its doors this summer — for the first time ever — for a production of Franz Lehár's "Merry Widow." The same stately building, in addition to other locations, is to be the venue for the Vienna Jazz Festival '99.

Not to mention
Mozart lovers, as well as those who enjoy French-style formal gardens, can head this summer for the "Roman Ruins" in the glorious park of Schönbrunn Palace (now on the Unesco World Heritage list) for open-air performances of Mozart's opera "Così fan tutte." In the event of bad weather, visitors can move to the palace's Orangery for the daily "Sounds of Vienna."

Looking for more informal entertainment? A large number of Vienna coffeehouses are offering live performances of Strauss tunes throughout the tourist season. The City of Vienna is making 20 pianos available and has engaged students from the Vienna Music Conservatory to entertain the guests. It was, after all, in Vienna's coffeehouses that Johann Strauss and his brothers first made their names in the 19th-century musical world.

As the ultimate way of straddling the centuries, Austria's renowned jazz musician, Joe "Weather Report" Zawinul, has scheduled his "Hommage à Johann Strauss" in the historic Theater an der Wien, where Beethoven's "Fidelio" had its premiere in 1805. This is guaranteed to be a red-letter day on the 1999 Vienna entertainment calendar. •

"PLEASURES OF VIENNA" was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by the City of Vienna. WRITER: David Herzog in Vienna. PROGRAM DIRECTOR: Bill Maher.

Johann Strauss (1825-1899) will be honored in a host of musical events taking place throughout the year in the Austrian capital, beginning with a series of New Year's concerts and the Flower Ball, to be held on Jan. 6 in Vienna's City Hall, right.

CALENDAR 1999

Jan. 8
Flower Ball, City Hall
May 6-Sept. 26
Johann Strauss Exhibition, Historical Museum
May 7-June 13
Vienna Festival
May 21-Oct. 26
Johann Strauss Stage Works Exhibition, Austrian Theater Museum
May 29
Vienna Philharmonic Mega-Concert, Heldenplatz

Daily throughout summer
"Sounds of Vienna," Schönbrunn Orangery
June 30-July 10
Vienna Jazz Festival '99, various locations
July 3-Aug. 23
Music Film Festival, City Hall Square
July 13-Aug. 21
"Così fan tutte," Schönbrunn Palace park
Aug. 6-8, 13-15, 20-22
"The Merry Widow," Vienna State Opera
Oct. 27
Joe Zawinul's "Hommage à Johann Strauss," Theater an der Wien

Sihanouk Says He Won't Give Amnesties to Pol Pot Aides

Reuters
PHNOM PENH — King Norodom Sihanouk showed displeasure Wednesday at the reception given to two Khmer Rouge defectors and said an international tribunal would have a right to try them for genocide.

Calling them "criminals," the constitutional monarch said he would not grant amnesties for Khiem Samphan and Nuon Chea and would leave the handling of "this unfortunate and dramatic affair of forgiveness" for the Khmer Rouge to Prime Minister Hun Sen.

Mr. Khiem Samphan and Mr. Nuon Chea, top members of the clique responsible for the Khmer Rouge "killing fields" revolution of the 1970s, returned to Phnom Penh on Tuesday after Mr. Hun Sen said trying them might not be in the national interest.

The government says it has not closed the door on a trial, but Mr. Hun Sen's statement Monday has raised doubts as to whether one will take place, despite widespread calls for the Khmer Rouge to be called to account for genocide and crimes against humanity.

King Sihanouk said: "An international tribunal would have the perfect right to take up the case of genocide in Cambodia because it concerns crimes against humanity and that concerns the conscience of the world community."

The government has suggested that any trial of the two defectors might be followed by a royal amnesty like that given to another top Khmer Rouge figure, Ieng Sary, after his 1996 defection.

King Sihanouk, who must authorize any amnesties, said he would not sign more for the Khmer Rouge.

An Asian diplomat said King Sihanouk was showing clear displeasure at the warm greeting the government had given to the Khmer Rouge leaders, but since he is a constitutional monarch it did not make a trial any more likely. "Hun Sen is still the one calling the shots," he said.

King Sihanouk, briefly head of state under the Khmer Rouge's 1975-1979 rule before being placed under house arrest for much of that period, said the amnesty he had granted to Mr. Ieng Sary had been given at the demand of the government leaders.

The king said Cambodians, including his own family, had suffered "inexpressible cruelties and injustices" at the hands of the Khmer Rouge.

Six of King Sihanouk's 14 children and a number of grandchildren were among the estimated 1.7 million who died under Khmer Rouge rule from torture, execution, overwork, starvation or disease.

On Tuesday, Mr. Khiem Samphan, who succeeded King Sihanouk as Khmer Rouge head of state in 1976, made the group's first public apology for the suffering under its rule, but at the same time said Cambodians should forget about the past.

The Khmer Rouge leaders who came to Phnom Penh on a "no arrest" pledge from the government and officials in the ex-guerrilla town to which they defected last week said they had sought guarantees before coming to the capital that they would not be tried internationally.

On Wednesday, the two defectors met Boutros Boutros Ghali, who was United Nations secretary-general at the time of Cambodia's UN-sponsored peace agreement, which was spurned by the Khmer Rouge.

The Cambodia Daily newspaper quoted Mr. Boutros Ghali as saying the United Nations should respect the wishes and sovereignty of the Cambodian government in relation to the Khmer Rouge.

The United Nations has appointed a special team to look at the possibility of bringing the Khmer Rouge leaders to trial and it is due to report in January.

On Tuesday, the United States renewed its call for the Khmer Rouge to be held accountable for their actions and said Cambodia's handling of the case would shape its ties with the world.

The U.S. State Department deputy spokesman, James Foley, said, "The records left by the Khmer Rouge make it absolutely clear that the Khmer Rouge regime was among the most murderous in this century."

EIRO: Finance Ministers Meet to Set Rates

Continued from Page 1

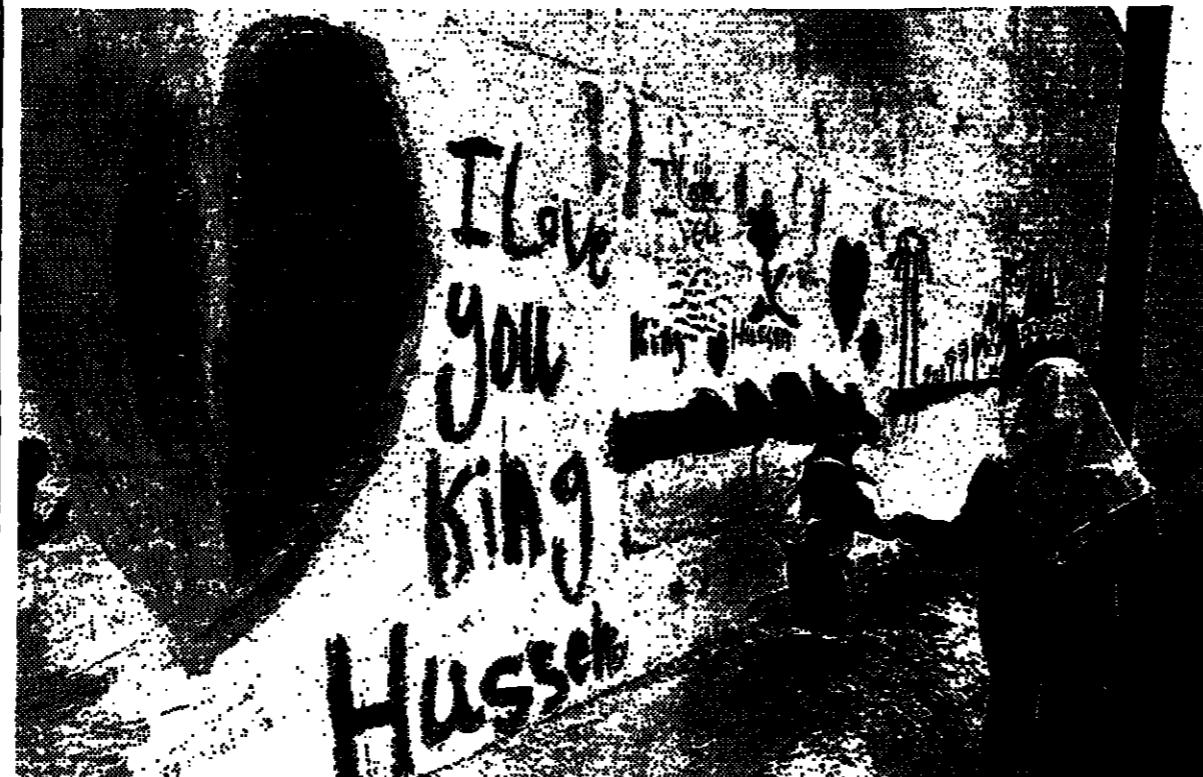
euro zone will continue to be a "pole of stability" in the world, even though growth in the region is expected to slow next year to around 2.4 percent.

The countries entering the currency zone are France, Germany, Italy, Spain, Austria, the Netherlands, Belgium, Luxembourg, Portugal, Finland and Ireland. The finance ministers will also decide the terms under which Europe's postage-stamp nations — Vatican City, San Marino and Monaco — can participate in the euro.

Three members of the European Union, Britain, Denmark and Sweden, are staying out of the monetary union by choice and a fourth, Greece, was unable to join because it was not able to meet the standards for entering and staying in. But Greece is joining the European exchange-rate mechanism, pegging the drachma to the euro, and hopes to adopt the currency by the time the notes and coins are introduced.

The introduction of the single currency fulfills the dreams of united Europe's founding fathers, such as Jean Monnet, who envisaged federation. This is just what scares the independent-minded British and many in the EU who are apprehensive that such a dramatic transfer of sovereignty will whittle down the power of the state.

To deal with problems, such as per-



A KING'S WELCOME — A mural painted by children in Amman welcoming King Hussein back to Jordan on Wednesday after six months of treatment for cancer at the Mayo Clinic in the United States.

Netanyahu Urges Allies Not to Defect

The Associated Press

JERUSALEM — Trying to stem defections from his political camp, Prime Minister Benjamin Netanyahu urged top cabinet ministers Wednesday not to leave the Likud party ahead of the elections scheduled for May.

Mr. Netanyahu also played down a veiled threat from his closest political ally, Foreign Minister Ariel Sharon, to run for prime minister.

"We are cooperating fully to win the elections," Mr. Netanyahu said, referring to himself and Mr. Sharon.

Mr. Netanyahu is fighting an uphill battle to win re-election May 17. He faces a growing field of challengers including Likud members who either seek to wrest the party's nomination from

him or plan to run on their own slate.

Mr. Netanyahu's former foreign minister, David Levy, is negotiating terms of a political partnership with Ehud Barak, who leads the opposition Labor Party.

Mr. Netanyahu's agriculture minister, Rafael Eitan, has announced that he will run for prime minister. Mr. Eitan heads the Tsomet party, which ran on a joint slate with Likud in 1996, when Mr. Netanyahu gained power.

Two key cabinet members from Likud, Defense Minister Yitzhak Mordechai and Communications Minister Limor Livnat, are considering leaving the party to join a centrist slate being formed by a popular former army chief of staff, Amnon Lipkin-Shahak.

The departure of Mr. Mordechai, who

is popular among the Likud rank and file, would be a serious blow for Mr. Netanyahu and underscore his growing political isolation. It is speculated that Mr. Mordechai leaves Likud, Mr. Sharon, too, will challenge Mr. Netanyahu.

Asked Wednesday what message he had for Mr. Mordechai and Mr. Livnat, Mr. Netanyahu told them not to stay from Likud, declaring, "Stay in your home."

Meanwhile, President Ezer Weizman came under fire after the newspaper Haaretz reported that he had said Mr. Barak and Mr. Lipkin-Shahak should join forces, presumably to be in a better position to challenge Mr. Netanyahu.

Because his position is largely ceremonial in Israel, the president is expected to remain above the political fray.

Asked Wednesday what message he had for Mr. Mordechai and Mr. Livnat, Mr. Netanyahu told them not to stay from Likud, declaring, "Stay in your home."

Three Britons were among those killed Tuesday. The fourth hostage who was killed was an Australian. Two others, an American and a Briton, were wounded. They were among a group of 16 tourists who were kidnapped Monday in southern Yemen by Islamic militants.

Survivors of a lengthy shoot-out said Wednesday that the battle started when Yemeni security forces attacked the kidnappers. Their accounts appeared to contradict a Yemeni government assertion that security forces had opened fire after the kidnappers began killing hostages at a camp in the south of the country.

The hostages told The Associated Press that once their captors were attacked, they tried to use the captives as shields and eventually shot two of them in "revenge killings."

"The worst time for us was that time when a barrel was pointed at my chest," said Eric Finkin, one of the hostages. I said, "No, no, no," recounted Mr. Finkin, who said another captive, a woman, was killed in front of him by one of the kidnappers.

Mr. Finkin, 55, from Croydon, England, said the captives had been divided into two groups and that he was in a group of 11 hostages when the shooting occurred. He and Brian Smith, another of the 11, said they did not know how the other group had come under attack.

Both men said that two in their group were killed by the kidnappers after the hostages wound up in the middle of a battle that started when government troops opened fire.

"We were being led into the mountains to a hideout. Then we heard the gunfire," Mr. Finkin said. He and Mr. Smith, 52, from Peterborough, England, were interviewed at a hotel in Aden, where they were taken to rest from their ordeal. Mr. Smith said the shooting went on for about two hours, with bullets whizzing over the heads of the hostages.

One of the wounded, Claire Marston of Britain, was "in a very bad way," a British diplomat, David Pearce, said at the Al Isimbouya Hospital in Aden. She was conscious after surgery on her shoulder, he said, and she knew that her Canadian-born husband, Peter Rowe, had been killed. Another woman who survived the ordeal, an unidentified American, was shot in the pelvis, hospital officials said.

Baroness Symons of the Foreign Office said the British ambassador to Yemen, Victor Henderson, would meet with the Yemeni interior minister to find out why an assault had been ordered.

"The issue," she said in an interview with the BBC, "is whether the shooting was triggered by a bungled rescue attempt or whether the Yemeni authorities knew that hostages were already being killed and therefore moved in."

"Our ambassador made our position very clear that our first concern was the safety of the hostages," she said. "Now, if our advice on this was ignored for reasons that are not adequate reasons, we would be very concerned indeed."

In Sana'a, Brigadier Mohammed Saleh Turaiq, chief of security in Aden Province, said that the kidnappers had been the first to open fire. "The Egyptian began shooting at the hostages," he said, referring to one of the kidnappers, "which forced our troops to storm the hideout." Brigadier Turaiq said his forces were pursuing some of the kidnappers who had escaped. He accused foreign elements of instigating the kidnapping, but refused to elaborate.

Yemeni officials have identified the Egyptian as Osama Masri. In Cairo, Egyptian security sources said the name was the alias of a wanted Islamic extremist. They declined to give his real name. (AP, AP)

■ 4 Germans Are Set Free

Germany has been informed of the release of four Germans who were kidnapped in December 6 in Yemen, Reuters reported from Bonn, quoting a spokesman for the German Foreign Ministry.

U.K. Honors Ex-Senator For Ulster Peace Efforts

Mitchell to Get Knighthood for Mediating Accord

Reuters

LONDON — Britain is to honor Thursday a former U.S. senator, George Mitchell, and other figures who worked to bring about peace in Northern Ireland.

The traditional New Year's honors list, prepared for the second time by Prime Minister Tony Blair, who came to power in 1997, places heavy emphasis on "those who have helped give peace a chance" in the British province, a spokesman for Mr. Blair said.

One step down the ladder, the former James Bond actor Roger Moore is to be made a Commander of the Order of the British Empire for his work for charity as Mr. Mitchell, who spent months in Belfast during marathon talks leading up to a peace accord reached last April, is to be given an honorary knighthood as a Grand Knight of the Order of the British Empire.

U.S. citizens such as President Ronald Reagan and his defense secretary, Caspar Weinberger, have been given honorary knighthoods, but the award is relatively rare.

A former Conservative prime minister, John Major, who began the process leading to the April agreement, is to be made a Companion of Honor, a select title limited to a handful of members, for his services to peace in Northern Ireland.

The same tide goes to one of Mr. Mitchell's two co-chairmen, General John de Chastelain, the former chief of staff of the Canadian Army. Former Prime Minister Harri Holkeri of Finland, the other co-chairman, is to become an honorary Knight of the Order of the British Empire.

Knighthoods are to be awarded to Northern Ireland's police chief, Ronnie Flanagan, and to two British civil servants closely involved in the peace process, John Holmes and Quentin Thomas.

Mr. Blair's spokesman said he had wanted to honor some members of the pro-Irish nationalist community in the province, but the awards had been turned down.

In other sections of the honors list, Mr. Blair preserves the traditional mixture of gongs for show business and sports stars, top businessmen, civil servants and

humble citizens nominated for their good works.

The abstract painter Bridget Riley is to become a Companion of Honor while a real-life knight goes to the actor Nigel Hawthorne, famous for his role as Humphrey Appleby in the television comedy "Yes Minister."

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TribTech

Cyber-Generation's Motto: Down With the Costly Internet

By Matt Richtel
New York Times Service

SAN FRANCISCO — In the 1960s, agitated students dropped out. In the 1990s, they are logging off. To express their frustration with the high cost of Internet access, students, academics and other cyberevergreens around the world have engaged in a series of digital-era protests: They have shut off their modems and darkened their Web pages in daylong boycotts.

In recent months, these organized "Internet strikes" have taken place in China, the Czech Republic, France, Germany, Poland and Spain, involving thousands of protesters.

"The Internet should be accessible for everyone," said Soeren Frey, a university student in Germany who joined a virtual sit-in there in early November by shutting down his Web site.

"We want to force the monopolist to lower the local rates or introduce a special Internet fee."

While this is not exactly the idealistic rhetoric of, say, 1960s peacenik revolutionaries, the strikers say there is more at stake than merely a desire to surf the Net and send electronic mail.

Some say they worry that their respective cultures will fall behind in the

race for intellectual capital if they do not have widespread, affordable access to the global network.

To be sure, the cost of access is higher in some of these countries than in the United States, where unlimited access typically costs \$19.95 a month.

For instance, in France, Internet users pay roughly \$16 a month for unlimited access, but that does not include charges of anywhere from 70 cents to \$2.50 an hour for local telephone usage.

Residents of Germany pay a flat rate of \$22 a month for Internet access, plus local telephone charges of roughly \$3 per hour. Heavy Internet users in Germany can rack up phone bills in the hundreds of dollars each month.

Unlike most residents of the United States, consumers in many other countries are charged for local phone calls on a per-minute basis.

Organizers in Europe calling themselves the Campaign for Unmetered Telecommunications have set up a Web site to bring various protesters together to call for a "flat rate" for telephone and Internet use.

Still, Mr. Elmer said T-Online, which has 2.5 million subscribers, is

European Union "day of action" next year.

But representatives of French and German telecommunications companies contend that the prices they charge for Internet access are fair:

"This is not expensive," said Hans Elmer, a spokesman for Deutsche Telekom AG, the company that controls

"lowering aggressively" its prices.

In France, the telecommunications provider France Telecom reported little impact from an Internet strike held Dec. 13.

Elizabeth Mayer, a spokeswoman for France Telecom, which runs the dominant provider, Wanadoo, said traffic dropped 10 percent during the strike.

Bernard Martin-Rabaud, the general secretary of the Association of Discontented Internet Users, which organized the strike, estimated that traffic had dropped 20 percent to 25 percent. He said the strikers had received strong support from other providers in France, who also wanted to protest the local telephone tariffs.

Mr. Elmer said the protesters are just "scholars and pupils" who want access "really cheap all day long."

He said that despite protesters' claims to have orchestrated measurable drops in Internet traffic during their strikes, the boycotts have actually made no difference in Internet use.

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much of the German telecommunications infrastructure. Deutsche Telekom operates the country's dominant Internet service provider, T-Online, and is a target of the protests.

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ency Act, controversial U.S. legislation that attempted to eliminate "indecent" on the Internet, hundreds of cyber-strikers took down their Web pages in a "blackout" in 1996.

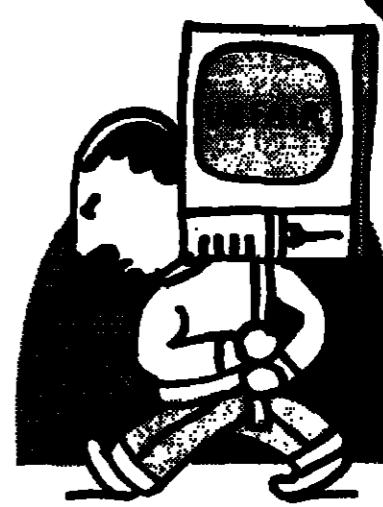
But earlier protests did not have the momentum of the current series of Internet strikes, according to Adam Clayton Powell III, vice president for technology and programs for the Freedom Forum, a Virginia-based free-speech organization.

MR. POWELL said the current wave of protests may signal the beginning of a new era of strikes on-line.

"The technique can be used for any variety of grievances," he said. "I've begun to wonder whether this is one of a whole series of not just strikes, but cyber-petitions."

Outside of the developed world, there is a separate reason why Internet access is not affordable.

The problem is not so much that the costs are unusually high, but that the average wage is so low that paying for Internet access is a luxury most people cannot afford, said Martin Burack, executive director of the Internet Society, an Internet standards and policy organization also based in Virginia.



Stuart Goldsmith/GHT

"The cost of getting 100 e-mails in some countries in Africa is \$30 to \$35 a month," he said.

"People can spend that money on access or to feed their families. Those are stark choices."

Matt Richtel writes for CyberTimes, which appears on the Internet site of The New York Times.



Les Horribles Cernettes performing at a party to celebrate the Nobel Prize won by Georges Charpak for physics.

Everybody's Doing the Atom-Smasher

Presenting the Cernettes, a Group of Particle Physicists Who Really Rock

By Malcolm W. Browne
New York Times Service

NEW YORK — The arcane language of physics is not exactly the stuff of song lyrics, but the Cernettes, billed as the first particle-physics rock band in the world, have hit the Internet. Even if nonphysicists fail to get their musical jokes, the Cernettes count on a growing audience of admiring scientists.

The Cernettes take their name from CERN, the acronym for the high-energy particle laboratory in Europe on the French-Swiss border near Geneva with which all the singers are associated.

Membership in the four-woman amateur singing group and its band changes from year to year, but the Cernettes, constantly provides material to keep the group up to par at the many meetings and celebrations where they perform.

On the job at CERN, Mr. de Genarro, a computer scientist, uses virtual reality to manipulate the virtual counterparts of battleship-size particle detectors that must fit into cramped niches in the laboratory's 27-kilometer (17-mile) circular accelerator tunnel. But in his spare time he writes songs in the doo-wop style popular in the 1950s and '60s.

"The average physicist around here was growing up in those years," Mr. de Genarro said. "And they get a nostalgic kick out of my tunes."

Some of his songs involve the Large Hadron Collider, or LHC, an atom-smasher nearing completion in CERN's accelerator tunnel.

Here is a verse from Mr. de Genarro's

lament "Collider":

I gave you a golden ring to show you my love,

You were to stick it in a printed circuit.

To fix a voltage leak in your collector.

You plug my feelings into your detector.

You never spend your nights with me.

You don't go out with other girls either.

You prefer your collider.

You only love your collider.

Celebrating the LHC, which is intended to be a mecca for American as well as European high-energy physicists, the Cernettes have renamed themselves Les Horribles Cernettes, or LHC for short, and they have posted some songs on their Web page, sgvnu.cern.ch/music/lhc/cernettes.

Owners of computers with sound cards can hear the Cernettes (who often emulate the Supremes) croon catchy tunes such as "Strong Interaction" ("You quark me up, you quark me down, you quark me top, you quark me bottom"), "Antiflavor," "Surfing on the Web" and "Microwave Love."

Since its birth in 1954, CERN's achievements have included momentous discoveries in particle physics, a succession of Nobel prizes and the construction of a proton collider that may yield enough energy to discover the elusive Higgs boson, a theoretical particle supposedly responsible for endowing all matter with mass.

But for ordinary people, CERN's most memorable achievement was to invent the World Wide Web as a way to organize and find information on the In-

ternet. The laboratory originally used its Web system as a communications network for physicists, but it grew as the Internet became nearly as universal as the postal system. As the Web outgrew the laboratory, CERN cast off its creation, which is now administered by others.

Mr. de Genarro, an Italian, writes his songs entirely in English, he says, because English is "the universal language of physics."

But this has created something of a language barrier between the CERN laboratory and the French and Swiss people outside it. Most of CERN's neighbors do not understand the jokes in his songs.

The Cernettes are not the only performers specializing in physics songs. In the United States, Dr. Lynda Williams — a former go-go dancer who teaches physics at San Francisco State University — has become a hit at physics conferences. Her on-stage gyrations and clever allusions to physics keep audiences of scientists roaring with laughter.

One of the theories she tackles is supersymmetry, which posits the existence of particles called "sparticles," "squarks" and so on. On her song, to the tune of George Gershwin's "Wonderful," pokes fun at the government's cancellation in 1993 of the Superconducting Supercollider, which would have been the largest accelerator in the world:

"Squanton dream, squandered it, Bad publicity, A awfully sad 'scould've had Our own SSC. But where did the funding go? Must be hiding with the higgissons 'Wonderful, marvelous' There's still the LHC!"

The idea of attaching video cameras to personal computers is not new. In the past they have been plugged into a computer port, but what Sony and Panasonic, which is a brand of Matsushita Electric Industrial Co., have done is build the camera and its software into the PC.

Click on the video software icon and the camera and the voice recorder are activated and the user's face pops up on the screen almost instantly. The "mail" button sends the footage to a designated electronic mail.

Panasonic's version of the camera-mounted machine can also operate as a

video phone, provided the receiver has camera equipment hooked up at the other end.

Sony's model comes with software that lets the user activate certain tasks — like activate software — by holding a small piece of paper with black and white code in front of the built-in camera.

"It's a new type of application — sending moving images over the computer — which could grow into a big market," said Takahiko Umezawa, vice president for research at IDC Japan Ltd., a consulting firm. "When you have a video, your ability to communicate is enhanced by two to three times."

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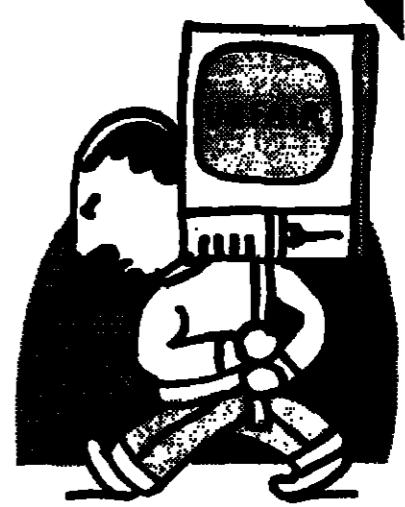
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"When you have a video, your ability to communicate is enhanced by two to three times."

The idea of attaching video cameras to personal computers is not new. In the past they have been plugged into a computer port, but what Sony and Panasonic, which is a brand of Matsushita Electric Industrial Co., have done is build the camera and its software into the PC.

Click on the video software icon and the camera and the voice recorder are activated and the user's face pops up on the screen almost instantly. The "mail" button sends the footage to a designated electronic mail.

Panasonic's version of the camera-mounted machine can also operate as a



"The cost of getting 100 e-mails in some countries in Africa is \$30 to \$35 a month," he said.

"People can spend that money on access or to feed their families. Those are stark choices."

Matt Richtel writes for CyberTimes, which appears on the Internet site of The New York Times.

ALT /Review

Word by Word With the Reading Pen

Potentially Strong Teaching Device Needs Steady Hand and Patience

By Robert O'Harrow Jr.
Washington Post Service

WASHINGTON — My daughter picked up the device and weighed it in her hand. She brought it up to her eyes and squinted. And as she inspected it with something resembling awe, I recalled those moments in the movie "2001: A Space Odyssey" who had just discovered wooden clubs.

I wondered: Could there be an educational breakthrough in the offing?

Her curiosity was understandable. This ingenious device from Seiko Corp.'s Seiko Instruments Inc. subsidiary is no bigger than a small cellular phone, yet it scans printed words, enlarges them on a small screen on the back and then reads them aloud.

Seiko officials bill the Reading Pen as an "assistive technology" for people with limited reading skills. That is to misalign the one-inch-wide (2.54-centimeter) tip, and the pen would produce garble. The result was that she lost interest rather quickly.

I kept my mind open and gave the pen to a colleague, Liz Leyden. She discovered that the pen could actually mislead a user by displaying a word that was not the one she was trying to scan. While looking through Harper's magazine, for instance, she scanned "Sarajevo."

At first, for whatever reason, the machine displayed "data." When she managed to get "Sarajevo" to appear on the screen, the pen pronounced the word improperly with a hard "j" and a long "e."

"You have to have a pretty steady hand," Ms. Leyden said. "And if you don't get all the letters in a word, it can come up with a completely different word."

Now, all of this might seem to be nit-picking.

After all, the pen clearly makes use of some marvelous technology that could help many people learn to read, particularly special-education students. A plethora of other devices in recent years has helped to give students with disabilities a way to communicate and express themselves.

BUT MY experience was similarly disappointing. While I found that it technically worked as billed, I couldn't help wondering how much patience many would-be readers were going to have with the Reading Pen. I also wondered about the price, almost \$300. That seems high and, to my mind, puts the thing in the realm of an expensive toy for people who can afford the latest thing.

John Dudley, senior product manager at Seiko, said people should not be intimidated by some initial difficulties.

He assured me that the Reading Pen would get much easier to use over time.

He also said the price paled when compared with the benefit that users would derive from being able to carry around a device that enabled them to understand text.

It is especially good for people who are afraid to signal their reading troubles by asking for help.

As usual, we shall see. My guess is that Seiko and other companies will continue to refine the technology and make it simpler, more effective and less expensive.

In the meantime, if it helps some people learn to read, it gets my vote. Now, can someone tell me how we can get it into the hands of people who don't have any money?

Robert O'Harrow Jr. can be e-mailed at roharrow@washpost.com.

video phone, provided the receiver has camera equipment hooked up at the other end.

Sony's model comes with software that lets the user activate certain tasks — like activate software — by holding a small piece of paper with black and white code in front of the built-in camera.

"It's a new type of application — sending moving images over the computer — which could grow into a big market," said Takahiko Umezawa, vice president for research at IDC Japan Ltd., a consulting firm.

Mr. Umezawa said other companies would probably follow suit as visual communication becomes an integral part of computing.

The portable Sony and Panasonic models retail for about \$2,000 and are not marketed outside Japan. (IHT)

A FORETASTE OF Y2K: The U.S. government is warning hospitals, emergency personnel and health-care practitioners that so-called year 2000 computer problems could affect two

NYSE

Wednesday's 4 P.M. Close
The 2,600 most traded stocks of the day.
Nationwide prices not reflecting late trades elsewhere.

Continued on Page 14

INTERNATIONAL BUSINESS / FINANCE

THURSDAY, DECEMBER 31, 1998-FRIDAY, JANUARY 1, 1999

PAGE 11

1998 Ends With Note Of Nostalgia

Local-Currency Trading Ends for Much of Europe

Compiled by Our Staff Writers

Leading European stock markets experienced nostalgia Wednesday as Frankfurt completed its last Deutsche mark-denominated session on a down-beat note while the Bourse in Paris saw out the last hours of the franc with a more positive attitude.

Major stock indexes in the United States slipped in late trading in the penultimate session of 1998. Internet shares fell sharply as some analysts predicted the sector would come down to earth in the new year.

London, which will continue to trade in pounds, closed 1 percent down on the day, but the benchmark FT-SE 100-share index finished the year with a gain of 14.5 percent at 5,882.60 points. In

STOCK MARKETS

Frankfurt, the DAX index fell 0.6 percent to 5,002.39 but finished the year with a gain of 18.5 percent. The CAC-40 index in Paris rose 1.3 percent on the day and finished the year 31.5 percent higher, at 3,942.66 points. All 11 countries adopting the euro shut their markets until Monday, when shares will be denominated in the common currency.

Tokyo also had its last trading day of a dismal 1998. The Nikkei 225-stock average slipped 4.73 points to 13,842.17 and ended the year 9.3 percent lower.

The Brazilian stock exchange was one of the year's biggest losers, with the Bovespa index sliding 33.3 percent on the year despite a 1 percent gain in its last day of trading, to 6,784.33 points.

On Wall Street, stocks fell after eight days of gains in the Dow Jones industrial average.

The Dow dropped 46.34 points to 9,274.64 after gaining 330 points since Dec. 16. The Standard & Poor's 500-stock index fell 9.88 points to 1,231.93, while the Nasdaq composite index slipped 14.83 points to 2,166.94.

With one trading day left in 1998, the S&P 500 has soared 27 percent, the Nasdaq composite is up 35 percent, and the Dow has gained 17 percent.

While strong money flows from year-end bonuses and retirement plan contributions have fueled a strong finish to 1998, analysts are concerned that corporate profits may not justify the market's lofty levels in 1999.

Demand for U.S. exports is expected to remain bleak for some time as the global economy tries to heal from crisis.

Still, the domestic economy continues to show considerable spark. The Conference Board research group said Wednesday its index of leading economic indicators rose by 0.6 percent last month, its biggest rise since February 1996. The November reading followed a 0.1 percent gain in October.

Treasury bonds rose, with the price of the benchmark 30-year issue rising 6/32 to 102 17/32, bringing its yield down to 5.08 percent from 5.10 percent.

Stocks of some well-known Internet-related companies fell sharply.

Traders said large drops in stocks such as Amazon.com and Yahoo! showed that some of the euphoria surrounding the Internet stocks was clearly starting to dry up and that there was a danger other stocks could be caught up in the downdraft. Amazon fell 11 1/16 to 321 1/4, while Yahoo! dropped 25% to 244%.

Frank Gens, senior vice president of Internet research at International Data Corp., predicted that Internet commerce would double to \$68 billion next year, but he warned investors not to count on Internet stocks continuing their surge.

"There are some companies that are facing challenges next year," Mr. Gens said. "Those are companies that are losing money this year but have valuations that are based on expectations of profit in 1999," such as No. 3 Internet search directory Lycos Inc.

He said acquisitions in the sector would rise next year as traditional media and financial companies decided they wanted to buy into the Internet and larger Internet companies gobbled up smaller ones. (Reuters, Bloomberg, AP)

On the Road

1991	172,485	1,635,473
1993	199,969	1,686,939
1995	330,496	2,557,313
1997	431,513	3,007,773



India's bumpy roads are host to six two-wheelers for every car.

Racing for Indian Buyers

Carmakers Aim to Make 4 Wheels Affordable

By Miriam Jordan
Special to the Herald Tribune

NEW DELHI — In the United States, it's a car in every garage. In India, a scooter is the best that most families can do.

"Let's face it: Cars are a luxury item in India," said Bhavat Iyer of Warburg Dillon Read in Bombay. With per-capita annual income at less than \$400, India's bumpy roads hold six two-wheelers for every car.

"For the budget-car buyer, the party has just begun," said Hormazd Sorabjee, editor of Auto India, a monthly magazine.

Still, the foreign entrants will have a hard time cracking the lock that Maruti Udyog Ltd., a joint venture between the Indian government and Suzuki Motor Corp. of Japan, maintains on the small-car segment. Scooters aside, its subcompact Maruti 800

\$500 million to build a plant here that will start churning out an India-tailored version of the Fiesta, which is a hit in Europe, in 1999. GM hopes its showrooms will be ready to offer the Corsa, a model from its Adam Opel AG stable in Europe, there too.

"For the budget-car buyer, the party has just begun," said Hormazd Sorabjee, editor of Auto India, a monthly magazine.

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from Page 1

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Lenders Fear Russia Will Opt for Default

Anxiety Grows as a Deadline Passes

By David E. Sanger
New York Times Service

WASHINGTON — Russia's failure to make a \$362 million payment on Soviet-era debt has raised fears among U.S. officials, the International Monetary Fund and lenders that there is a growing movement in Moscow to default on the country's obligations.

The commercial banks that are owed the money, led by Bank of America, stopped short of calling the failure to meet Tuesday's deadline a default, even though it appeared to be exactly that.

In August, in the midst of the devaluation of the ruble and the firing of reform-minded officials who had negotiated a financial bailout for the country with the IMF, Russia failed to pay hundreds of millions of dollars it owed to foreign governments. But Tuesday marked the first time it had failed to pay private creditors, on whom Russia's chances of economic recovery hinge.

Russia needed to reach agreement with 95 percent of its creditors to restructure its debt, essentially allowing it to pay the money back over a far longer period of time. But only 72 percent of those creditors approved a plan under which commercial banks would accept government-issued bonds as an alternative to cash. Russia insists that it needed to win the approval of only two-thirds of the creditors and therefore is not technically in default.

"There is no legal basis for default," said Igor Khachaturov, head of the department of foreign debt at Vnesheconbank, the government's debt-paying agent, Bloomberg News reported from Moscow.

[At least half of the bank creditors must vote formally to declare the bank in default, Mr. Khachaturov said. As the bank already had 72 percent support for its restructuring, "indirectly, this shows they are not in agreement" with default, he said.]

Bank of America, a unit of BankAmerica Corp., said through a spokesman that it was seeking clarification of the Vnesheconbank position but that the 95 percent ap-

proved requirement had not been changed.

The payment itself is not a major problem for the banks, and the markets long ago anticipated that Russia would be unable or unwilling to pay.

But the signal sent by Russia seems bound to reverberate in world capitals, especially Washington.

International economic officials said they suspected Russia had decided to default on selected foreign debt. "The question," said one official who has been engaged in discussions with the Russians, "is whether this is an act of desperation or a negotiating tactic."

One possibility is that the government of President Boris Yeltsin has determined that there is little chance that private banks will lend it money for years to come, even if Russia begins to collect taxes, impose fiscal austerity and come to terms with the IMF over a new loan package. With no relationship with the commercial banks left to destroy, this holds, the Russians have simply decided to halt payments.

Others say the default may be only a negotiating strategy to force the banks to restructure the debt on Moscow's terms. "This may be their equivalent of an offer we can't refuse," one banker said last week. "They want us to think that the choice is between getting something — who knows how much — someday or getting nothing at all."

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Toyota Gains Sales Lead

Bloomberg News

LONDON — Toyota Motor Corp., the world's third-largest automaker, is outselling rival Nissan Motor Co. in Europe for the first time in 23 years, helped by new and revamped models.

Nissan, No. 2 in Japan after

Toyota, was the best-selling Japanese car brand in Europe from 1975 until this year.

Through November, according

to the latest figures available,

Toyota sold 504,200 cars and

trucks and Nissan sold 497,287

vehicles, the companies said.

Europe has become increasing-

ly important for Japanese

automakers because recession

has slowed sales at home. Japa-

nese automakers plan to invest

about \$2.7 billion to double ca-

pacity in Europe by 2001.

Toyota, which is building a

new plant in France, has seen

sales rise after it redesigned its

best-selling cars, the Corolla

and the Avenir.

North American sales

have been flat for three years

and are expected to decline

next year, analysts said.

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Is a Merger Imminent For Defense Giants?

RAe-DaimlerChrysler Talks Reported on Track

Compiled by Our Staff Reporters

LONDON — British Aerospace PLC and DaimlerChrysler Aerospace AG were reported Wednesday to be close to a merger deal that analysts said would trigger a wave of combinations in the European defense industry.

Most merger terms have been agreed, the Daily Telegraph reported.

British Aerospace shareholders will have 70 percent of voting rights and DaimlerChrysler Aerospace the remainder, while John Weston, chief executive of British Aerospace, will head the new company, the British newspaper said.

Shares in Thomson-CSF rose 6.2 percent, to 240 francs (\$42.78), on Wednesday amid speculation that its chances of a merger with General Electric's Marconi unit looked promising.

"It's to be expected that the share would be boosted by speculative buying after this kind of report," one analyst said, referring to the Daily Telegraph article.

He added that by comments by Denis Ranque, chairman of Thomson, that he had the government's backing for a deal with Marconi, along with confirmation from General Electric that Thomson was on its short list of partners, had attracted speculative buyers to the stock.

General Electric said it was looking at Thomson-CSF, British Aerospace and the American companies Lockheed Martin Corp. and Northrop Grumman Corp. as possible partners.

world, with sales of \$21 billion.

A deal "will spur others in the industry," said Andy Chambers of SG Securities in London. "By the end of next year we'll see substantially larger groupings."

Talks between the two companies have prompted General Electric Co. of Britain, the second-biggest defense electronics maker in Europe, to accelerate its search for a partner. It is most likely to merge with Thomson-CSF of France, its bigger rival in defense electronics, analysts said.

Shares in Thomson-CSF rose 6.2 percent, to 240 francs (\$42.78), on Wednesday amid speculation that its chances of a merger with General Electric's Marconi unit looked promising.

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NASDAQ

Wednesday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.

NYSI

**Wednesday's 3:45 P.M.
(Continued)**

12 Month		High		Low		Stock		Div Yld		PE		100% High		Low/Locked Chgs	
4254 4249	Playtex	29	14	24	3316	45%	44%	674	+1%						
4254 4250	Playtex	24	23	24	423	21%	30%	94	-1%						
944 55%	Playtex	19	52	1864	2%	1%	1%	-1%							
2176 1765	Playtex	12	17	32	7079	11%	11%	3116	-1%						
2094 1644	Plains	n	11	11	7204	17%	16%	17%	-1%						
2094 1645	Plains	w	11	11	5151	21%	21%	21%	-1%						
2294 1114	Playtex	26	26	26	2059	2%	2%	2%	-1%						
344 2374	Playtex	23	23	23	1298	15%	15%	15%	-1%						
4215 4216	Playtex	23	23	23	822	25%	24%	25%	-1%						
3994 1109	Playtex	35	35	35	3424	3%	3%	3%	-1%						
3994 1110	Playtex	35	35	35	3574	3%	3%	3%	-1%						
4994 1774	Polaris	18	18	18	1164	15%	15%	15%	-1%						
5714 1574	PolyG	15	15	15	2031	20%	19%	19%	-1%						
1294 1295	PolyG	15	15	15	477	9%	9%	9%	-1%						
4254 4256	Porter	56	56	56	7070	23%	23%	23%	-1%						
4254 4257	PorterP	23	23	23	123	45%	45%	45%	-1%						
9794 4574	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 31	PorterP	14	14	14	2059	6%	6%	6%	-1%						
2794 1234	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 31	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4258	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4259	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4260	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4261	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4262	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4263	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4264	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4265	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4266	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4267	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4268	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4269	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4270	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4271	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4272	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4273	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4274	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4275	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4276	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4277	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4278	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4279	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4280	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4281	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4282	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4283	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4284	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4285	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4286	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4287	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4288	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4289	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4290	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4291	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4292	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4293	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4294	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4295	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4296	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4297	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4298	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4299	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4300	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4301	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4302	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4303	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4304	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4305	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4306	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4307	PorterP	14	14	14	2059	6%	6%	6%	-1%						
4254 4308	PorterP	14	14	14	2059	6%	6%	6%	-1%						

ASIA/PACIFIC



Thomas Cooper/The International Herald Tribune

TRADE: Chinese Goods Flood Neighbors

Continued from Page 1

alarm clocks to consumers on the other side of China's borders.

"Exports to the poor border nations are pretty unimportant in terms of China's total trade," said Ken Davie, chief economist at the Economist Intelligence Unit in Hong Kong. "But from the other point of view, China is easily in a position to overwhelm these neighboring economies with goods."

U Sai Lone said the Chinese exports had already hit his suppliers in the village of Joy Gong about 20 miles (32 kilometers) from Hsipaw where a group of families has long made Shan hats.

Mr. Davies and other economists said key factors accelerating the cross-border trade include warehouses in China staffed with poor quality goods that are being sold off at below cost by state-owned factories; Beijing's call to fight the Asian economic crisis with increased exports, and the Chinese government's longer-term policy of encouraging the economic development of inland provinces.

Also, by developing cross-border trade, China cultivates strategic relationships with nations associated with the former Soviet Union and gains access to much needed natural resources such as the oil of Central Asia or timber in Southeast Asia, the analysts said.

In Burma, the array of factors lifting Chinese exports have coincided with a collapse of foreign investment in local manufacturing, a sharp slowdown in trade with Thailand and India and construction of a four-lane road to the border from Burma's trading center, Mandalay.

The 160-mile trip from Hsipaw to the Chinese border was once a two-day drive that could be accomplished only in the dry season. Now takes less than five hours along a paved road. Within the frontier zone much of the trade is paid

for with barter and smuggled across the border to avoid import restrictions. For large-scale purchases traders employ individuals on a day rate to carry goods across the border. The result in Burma is a national consumer economy largely based on tax-free imports that do not show up on official statistics.

"Even China's most seemingly reliable statistics — such as trade with the U.S. — are highly controversial," said Chi Lo, senior international economist at Hongkong & Shanghai Banking Corp. "For trade along China's land borders anecdotes will get you further than any official numbers."

Evidence of Burma's heavy reliance on imports can be seen at most restaurants: Spoons, glasses, plates, toothpick holders, soft drinks and plastic chairs are all imported, most from China.

With little industrial production developed enough to compete with Chinese factories, Rangoon has never publicly charged Beijing with trade dumping. Import restrictions have been introduced with mixed success since April, but government officials speak with wonder at the increased volume of trade from China and consumers readily snap up low-cost goods.

In Vietnam, however, factories freshly built by foreign investors have been undermined by Chinese imports, prompting loud complaints to Hanoi officials.

Water pumps smuggled across from China are terrible quality but they sell for half the cost of production here," a foreign investor in Vietnam said. "Foreign companies are not alone: Just take a look around Hanoi for bicycles made in Vietnam, and you will see the same thing has happened."

The investor added that while officials earnestly promise to study the competition from China, the government has little control over trade passing through the porous border zone.

BOOKS

THE GIANT, O'BRIEN
By Hilary Mantel. 192 pages.
\$22. Henry Holt.

Reviewed by Carolyn See

THIS novel takes place in the British Isles in the late 18th century and is based on two parallel sets of antagonisms: the oppressive English versus the beleaguered Irish, and the emerging "scientific" mind versus the dreamy "artistic" mentality. Too bad we know in each case who wins.

The giant, Charles O'Brien, lives out his youth in an Ireland where roads are torn from wretched huts, green forests cut down to pathetic stumps, where villages are nothing more now than collections of starving people and every road nothing more than a rivulet of muddy waste.

The giant notices all this — and doesn't notice. His head is in the clouds. He's a storyteller and lives for his stories, and for the effects that his stories have on his audience. He travels through this hellish pit accompanied by an entourage of desperate but cheerful friends, telling them baroque, marvelously ornate tales of goblins and witches and sorcerers and beasts and princes.

But even more miraculous than his tales of changelings and other magic creatures are his visions of great leisure, elegance and untold wealth. How can the giant possibly know about lush tapestries and bright silks and engraved silver flasks and exquisite palaces when he has never even seen a two-story house?

He knows, we must imagine, because he is a born artist and has mysterious access to a world that, in "real" terms, must be beyond him. In addition to being an artist, O'Brien is also a freak of nature — about 8 feet (2.5 meters) tall, would that be it? The giant decides, more or less on a whim, to journey with his friends to

London, to explore further what he has that makes him different: His tall stories, and his height.

O'Brien hopes that London will be something like the rich and fabled cities he has hoped for and dreamed of, but he's Irish, and the fate of the Irish in London is hanging, or worse.

There's nothing here for poor people but drink, confusion and dying: "dying of dropsy, quinsy, tisick, measles, croup, gout, canker, teething, overlaying, mold-shot head, thrush, cough, whooping-cough, dueling, surfeit, pleurisy, dysentery, lethargy, child-bed, king's evil, and unknown causes; and some from grief, and some from a footpad's ball, some double-ironed in dungeons and some from the bite of a mad dog, some from French pox, cholic, gripes, flux, survy, fistula, worms..."

The giant's little band of Irish has journeyed from one hell into a worse one. Having already robbed them of all things material, the English and their "civilization" will now rob them of their beauty, their self-respect and their souls, and this tale plays out in several ways.

The giant is a freak. Indeed, he has come to the city to sell this very attribute, his amazing height wedded to his antic strangeness. But artists rarely get the audiences they need or deserve, and O'Brien's sad fate is to be noticed by John Hunter, a Scottish medical man crazed by the new science, an inventor of experiments upon experiments, a man who collects all things strange, a man who hires grave robbers to keep his supply of new cadavers at the ready, a man who injects himself (and an innocent passing stranger) with syphilis so that he can record the symptoms. Hunter sees the giant but sees only his height, not his magnificence.

To him O'Brien is just another two-headed cow, another specimen. Hunter

begins hounding the giant and also ca-joling his friends: When O'Brien dies, as surely will, can Hunter have the skeleton, to add to his collection?

Scientists like this rarely fare well in fiction. The urge to annex human experience, to conquer and categorize and own and possess, is one of mankind's least pleasing attributes, unless you are one of those people who like to annex and conquer and categorize and possess.

O'Brien's band who are hounded by Hunter would seem to have been entirely bereft long before they ever got to London, but now they are robbed again — just as in one of the giant's own stories — of what are actually their most precious possessions. A beautiful young girl is raped, strangled, beaten and so on — but not before she has been lured to a rich woman's house and shorn of her beautiful blond hair. The giant's friends betray him, of course, and horribly betray themselves in the process.

They've changed from dreamers to sordid crooks, from innocents to sour and sad suburban louts. So has smug England robbed hapless Ireland down the centuries, Hilary Mantel might say, and so have smug "scientists" debased the artistic impulse by denigrating humanity in the service of an impersonal body of knowledge.

On the other hand, what does an artist do but try his or her hardest to annex, control, categorize, define the whole human experience, just like a scientist, except in a different way? Maybe the brilliant Hilary Mantel will address that question in her next novel. For now, in this one, storytellers' dreams are doomed to extinction by a shoddy, venal, mercantile impulse masquerading as scientific truth.

Carolyn See reviews books regularly for *The Washington Post*.

BRIDGE

By Alan Truscott

THE diagrammed deal was played some four decades ago, on Charles Goren's popular television show, with the late Sallie B. Johnson as North and Oswald Jacoby holding the South cards. The bidding appears old-fashioned to modern eye. A three no-trump opening then showed a balanced hand with at least 25 high-card points, but it made accurate slam bidding very difficult.

The four-club response was Gerber, and the four no-trump rebid showed three aces. The result was that the partnership reached six no-trump instead of the more desirable contract of six spades: The spade fit was never uncovered.

Either of the possible

slams, in no-trump or spades, appears to depend on the location of the club queen. In both there is an extra chance: a throw-in play that will force the defense to open up the club suit. The chance of this is

NORTH (0) ♦ 10 8 7 5 3 ♠ 9 7 5 4 ♣ A J 8 ♠ K 7 6

WEST ♦ 7 4 ♠ J 10 9 8 ♠ 9 7 6 5 ♠ Q 10 8 2 ♠ 7 5 3

SOUTH ♦ A K Q J 9 ♠ Q 10 9 8 ♠ K 9 ♠ A 8 7 6 5

EAST ♦ 6 ♠ 5 4 ♠ 4 3 ♠ 2 ♠ 1 ♠ Q 10 9 8 ♠ 7 6 5

BIDDER: ♠ 3 N.T. ♠ Pass ♠ 4 N.T. ♠ Pass ♠ 4 N.T. ♠ Pass ♠ 5 N.T. ♠ Pass ♠ 6 N.T. ♠ Pass ♠ 7 N.T. ♠ Pass ♠ 8 N.T. ♠ Pass ♠ 9 N.T. ♠ Pass ♠ 10 N.T. ♠ Pass ♠ 11 N.T. ♠ Pass ♠ 12 N.T. ♠ Pass ♠ 13 N.T. ♠ Pass ♠ 14 N.T. ♠ Pass ♠ 15 N.T. ♠ Pass ♠ 16 N.T. ♠ Pass ♠ 17 N.T. ♠ Pass ♠ 18 N.T. ♠ Pass ♠ 19 N.T. ♠ Pass ♠ 20 N.T. ♠ Pass ♠ 21 N.T. ♠ Pass ♠ 22 N.T. ♠ Pass ♠ 23 N.T. ♠ Pass ♠ 24 N.T. ♠ Pass ♠ 25 N.T. ♠ Pass ♠ 26 N.T. ♠ Pass ♠ 27 N.T. ♠ Pass ♠ 28 N.T. ♠ Pass ♠ 29 N.T. ♠ Pass ♠ 30 N.T. ♠ Pass ♠ 31 N.T. ♠ Pass ♠ 32 N.T. ♠ Pass ♠ 33 N.T. ♠ Pass ♠ 34 N.T. ♠ Pass ♠ 35 N.T. ♠ Pass ♠ 36 N.T. ♠ Pass ♠ 37 N.T. ♠ Pass ♠ 38 N.T. ♠ Pass ♠ 39 N.T. ♠ Pass ♠ 40 N.T. ♠ Pass ♠ 41 N.T. ♠ Pass ♠ 42 N.T. ♠ Pass ♠ 43 N.T. ♠ Pass ♠ 44 N.T. ♠ Pass ♠ 45 N.T. ♠ Pass ♠ 46 N.T. ♠ Pass ♠ 47 N.T. ♠ Pass ♠ 48 N.T. ♠ Pass ♠ 49 N.T. ♠ Pass ♠ 50 N.T. ♠ Pass ♠ 51 N.T. ♠ Pass ♠ 52 N.T. ♠ Pass ♠ 53 N.T. ♠ Pass ♠ 54 N.T. ♠ Pass ♠ 55 N.T. ♠ Pass ♠ 56 N.T. ♠ Pass ♠ 57 N.T. ♠ Pass ♠ 58 N.T. ♠ Pass ♠ 59 N.T. ♠ Pass ♠ 60 N.T. ♠ 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Nasdaq Rides Internet Craze to a Dazzling '98

By Edward Wyatt
New York Times Service

NEW YORK. — The Nasdaq composite index, long home to the U.S. market's hottest technology stocks, is on track for one of its best years ever. Through Tuesday, the index had risen nearly 39 percent, far ahead of the 28 percent gain in the Standard & Poor's 500-stock index and more than double the 18 percent gain in the Dow Jones industrial average this year. (The Nasdaq composite was up 0.13 percent at 2,184.65 points in early trading Wednesday.)

The reason for the surge is both a large number of Internet stocks, which have been the object of investors' lovesick affections — and, according to one estimate, account for one-fifth of this year's gain in the overall market — and a dearth of cyclical companies, whose values have been crushed by the collapse in commodity prices.

Even a surge in oil and agricultural prices, however, would have trouble getting investors as excited as they have become by big Internet companies such as Yahoo! Inc., Amazon.com Inc. and Netscape Communications Corp. Those stocks, which have recorded three- or four-digit percentage gains this year, plus smaller companies such as eBay Inc., Mindshare Enterprises Inc. and Infotek Corp., which have recorded similar gains, have put the Nasdaq in line for its third-best performance since it was begun in 1971.

There are other differences. The 10 largest stocks in the Nasdaq index account for more than 39 percent of its value, nearly double the weighting of the 10 largest stocks in the S&P 500. The effect of those differences is that movements in the value of the biggest stocks, such as Microsoft Corp., Intel Corp. and Cisco Systems Inc., have a greater impact on the Nasdaq index than on the S&P 500.

That effect can especially be seen in the performance this year of the Nasdaq 100 index, a subset of the composite index comprising its 100 largest companies. The Nasdaq 100 index has gained 84 percent this year, a blazing performance that is unmatched in its

history, which dates to 1985. Nasdaq and the American Stock Exchange, which merged this year, will soon attempt to capitalize on the success of the Nasdaq technology stocks by offering a new product that tracks the Nasdaq 100. The product, a unit investment trust, is similar to the Amex's popular Spiders, Diamonds and Webs units trusts, which track the S&P 500, the Dow industrials and a variety of foreign stock indexes, respectively.

But in designing the Nasdaq unit trust, the exchange has changed the way it calculates its 100-stock index, restricting the influence of technology stocks and removing some of the fuel that has thrust the index to such historic heights.

Whether that dampens investor reaction to the new product remains to be seen. Judging by their willingness to pay virtually any price for Internet stocks, however, it is easy to imagine that investors will care not a whit.

Consider some numbers. Wilshire Associates, which manages money for institutions and compiles a series of stock indexes, recently measured the contribution of Internet-related stocks

to the performance of the Wilshire

500 index, a yardstick that includes all of the 7,400 publicly traded companies based in the United States.

For that purpose, Wilshire defines Internet-related any company whose business would be materially affected if the Internet ceased to exist — a broad definition that included some giant companies such as Microsoft but not others, such as Dell Computer Corp.

Wilshire found that through Dec. 23, 4.1 percentage points of the 21.8 percent gain in the Wilshire 5000 — or roughly one-fifth of the total — came from Internet-related stocks. During that time, the value of those Internet stocks climbed to 6 percent of the overall market from 3 percent.

It is only logical to assume that the effect of Internet stocks on the Nasdaq composite index is as large or larger. At the beginning of 1998, Yahoo!, the 65th-largest stock traded on the National Association of Securities Dealers stock exchange that used to be known as the over-the-counter market, accounted for only about 0.2 percent of the Nasdaq composite index (the "aq" in Nasdaq stands for automated quotations). By the end of November, it had grown to 0.8 per-

cent of the index — a fourfold increase that placed it among the 10 largest Nasdaq companies. Since the end of November, Yahoo! has climbed even further.

Nasdaq is betting that individual investors in search of a piece of that action, will snap up shares of the Nasdaq 100 unit trust, just as they have the Spiders, Diamonds and Webs.

But Nasdaq ran into a problem. For tax and other reasons, Nasdaq had to adjust downward the influence of the biggest stocks in the index — Microsoft, Intel, Cisco, MCI WorldCom Inc. and Dell Computer — which together accounted for more than 60 percent of the Nasdaq 100. Before the adjustment, Microsoft alone made up 25 percent of the index.

Now, those five stocks account for about 40 percent of the index.

In the future, the index will be reassessed quarterly, and if the biggest stocks grow to account for more than 48 percent of the index, they will again be scaled back to 40 percent. Similarly, Microsoft now measures about 15 percent of the index; if it grows to 24 percent, it will be cut back to 20 percent.

Editor of the Dow said: "Despite the stocks and the calculation, over the S&P correlate time. They are both

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SPORTS

Soccer Clubs in Greece Strike for Unpaid Cash

Compiled by Our Staff From Dispatches

Greek soccer clubs have called off all first-, second- and third-division games this weekend to press their claims for unpaid money from state betting pools. "The matches will resume on Jan. 10, in the meantime, the state pays us 300 million drachmas in arrears. If not the

harsh criticism of the sport in a parliamentary committee report.

Fans rioted during a Dec. 8 first-division match between Olympiakos Piraeus and its main rival, Panathinaikos, at the stadium set to host the 2004 Olympic Games.

ENGLAND Wasted scoring opportunities cost Chelsea the chance to go back to the top of the English Premiership on Tuesday as it was held to a scoreless draw by visiting Manchester United.

Tore Andre Flo and Gianfranco Zola squandered a string of chances as the west London team failed to make its first-half domination pay. Chelsea created, and wasted, 15 first-half chances.

The result meant Aston Villa remained top of the Premier League, two points ahead of Chelsea. Chelsea is two points ahead of United, which moved into third place, and Arsenal, the reigning champion.

Leeds United is fifth after it drew, 2-2, Tuesday with Wimbledon.

Bruno Ribeiro's fine angled drive gave Leeds the lead after 26 minutes.

The visitors, who have never won at Leeds, hit back four minutes before halftime when Robbie Earle drove a shot into the corner of the goal.

David Hopkin restored Leeds' advantage after 57 minutes, tapping in a rebound. But Carl Cort volleyed in a superb equalizer seven minutes from time.

EUROPEAN SOCCER

strike will become indefinite," an official from the Association of Professional Football Clubs said Wednesday.

The association says OPAP, the state body that runs the soccer betting pools, owes it the sum, which is equivalent to \$1.1 million, from last season. The association has also demanded an increase in the percentage of the profit from the pools it receives.

"A hungry bear can't dance. We will play if OPAP gives us the money," said Petros Theodoridis, the owner of the first-division Iraklis team.

Ticket sales for soccer matches have dropped in the past few months following fan violence and allegations of corruption in first-division matches.

"It will not be the end of the world if there is no soccer for a few weeks," Andreas Fouras, the sports minister, told the Athens daily Kathimerini.

Sparked by accusations of biased refereeing, a wave of vandalism and violence began in November. It led to

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David Hopkin restored Leeds' advantage after 57 minutes, tapping in a rebound. But Carl Cort volleyed in a superb equalizer seven minutes from time.

SCOREBOARD

ICE HOCKEY

NHL Standings

EASTERN CONFERENCE

ATLANTIC DIVISION

NEW JERSEY

PITTSBURGH

PHILADELPHIA

DETROIT

OTTAWA

MONTREAL

NORTHWEST DIVISION

Winnipeg

EDMONTON

ST. LOUIS

MINNESOTA

CHICAGO

DETROIT

ST. LOUIS

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DETROIT

ST. LOUIS

McMahon, 1, 7, M-Reeves, 7 (O'Brien) Third Period: None. Shots on goal: Mc 11-12, 11-34, E 9-5-22. Power-play Opportunities: Mc 1 or 5; E 0 or 4. Goals: Mc-Hocken, 5 (Sheldene, Emanuelli, Colavita) 1, 1, 1-2. Assists: Mc 1, 1, 1-2.

First Period: C-Fordberg, 10 (Lemire, Kostopoulos) (pp), T-V-Yard, 4 (Hedstrom) (pp).

Second Period: C-Komar, 7 (Dmytryk, Lehman) Third Period: V-Muchnik, 12 (Olund) & C-Lawler, 17 (Deschenes, Komaray) & C, Poole, 1 (Forsberg, Forsberg) (pp). Shots on goal: Mc 11-15, E 10-37, V 4-31. Total: C-Gullion, 10 (Gullion, V-Snow).

FOOTBALL

NFL Playoffs

WEEK 2

JANUARY 3

BUFFALO AT MIAMI

JANUARY 4

BALTIMORE AT NEW ORLEANS

JANUARY 5

DALLAS AT ST. LOUIS

JANUARY 6

DETROIT AT GREEN BAY

JANUARY 7

DETROIT AT NEW ENGLAND

JANUARY 8

DETROIT AT DENVER

JANUARY 9

DETROIT AT TAMPA BAY

JANUARY 10

DETROIT AT ST. LOUIS

JANUARY 11

DETROIT AT NEW ORLEANS

JANUARY 12

DETROIT AT NEW ENGLAND

JANUARY 13

DETROIT AT TAMPA BAY

JANUARY 14

DETROIT AT TAMPA BAY

JANUARY 15

DETROIT AT TAMPA BAY

JANUARY 16

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JANUARY 30

DETROIT AT TAMPA BAY

JANUARY 31

DETROIT AT TAMPA BAY

FEBRUARY 1

DETROIT AT TAMPA BAY

FEBRUARY 2

DETROIT AT TAMPA BAY

FEBRUARY 3

DETROIT AT TAMPA BAY

FEBRUARY 4

DETROIT AT TAMPA BAY

FEBRUARY 5

DETROIT AT TAMPA BAY

FEBRUARY 6

DETROIT AT TAMPA BAY

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ART BUCHWALD

All Those Words

NEW YORK — Many things were said in 1998 that should have been left unsaid. Here are some of them: "Mr. President, do you swear to tell the truth, the whole truth and nothing but the truth, so help you God?"

"Monica, you're not going to wear that dress to the White House are you?"

Lucianne Goldberg to Linda Tripp: "Linda, have you ever thought of doing the oral history of an intern in Washington?"

"Doctor Kevorkian, are you sure you want to pull that plug?"

"Mr. Starr, any news on Whitewater?"

Minister to Bill Gates: "Bill, you can't buy happiness, but if anyone can afford it, you can."

Aide to Congressman Bob Livingston: "Larry Flynt of Hustler called, but I told him you were in a meeting."

Republican leader to Newt Gingrich: "Newt, if you say you're going to resign, there will be such an uproar in the



Buchwald

country that the Republicans will never let you do it."

Boris Yeltsin to his wife: "Everything about the Duma makes me sick."

Manager to Mark McGwire, home-run king: "Bunt."



Political handler to Senator Al D'Amato: "Putzhead is a fun word you haven't used before."

War minister to President Saddam Hussein: "Duck."

Mobil Top Dog to Exxon Top Dog: "If you lay off 40,000 employees and we lay off 35,000, we'll be able to put ourselves a Christmas bonus."

"Mr. President, would you have any objections if we bombed Baghdad the day before you are impeached?"

Elizabeth Dole to Bob Dole: "Put down that bottle of Viagra or I'll kill you."

Wall Street Broker: "The president has been impeached, we're bombing Iraq, Japan is on shaky financial ground and Russia has declared bankruptcy. This is a true golden investment opportunity."

To Vernon Jordan: "What do you mean you lost my resume?"

PEOPLE

THE Holocaust survivor Simon Wiesenthal, who tirelessly tracked down Nazi war criminals for more than five decades, will celebrate his 90th birthday on Thursday at his Vienna home. But even at 90, Wiesenthal is not expected to announce his retirement. The man who brought 1,100 Nazi runaways to trial visits his cluttered office in the Vienna-based Jewish Documentation Center almost every day. "I still have to get used to the idea of being 90," Wiesenthal said in an interview. "I never would have thought I would get so old, especially not in the concentration camps." Almost 90 members of his family perished in the Holocaust, but he was reunited with his wife, Cyla, who managed to escape from a camp in 1941.



François-Hubert Drouais's "Madame de Pompadour," the celebrated full-length portrait of the mistress of King Louis XV of France, will pay its first visit to New York in January. The Marquise de Pompadour, whose real name was Jeanne Antoinette Poisson, lived from 1721 to 1764. Her influence at Versailles extended from politics to the arts. On loan from the National Gallery in London, the painting will be exhibited at the Frick Collection and accompanied by a display of complementary paintings from the Frick's holdings.



They battled for years, but once Sylvester and Tweety got together to pose for postage, their portrait became the top stamp of the year. The U.S. Postal Service says that nearly 38 million stamps featuring the battling cat and canary were saved by collectors in 1998, beating their nearest rivals by several million. Even so, Tweety and Sylvester fell far short of the all-time most popular U.S. postage stamp, the 1993 Elvis Presley commemorative, of which more than 124 million were collected by stamp aficionados.



Ten years after James Campbell asked the FBI for its files on the late novelist James Baldwin — and years after Campbell's biography of Baldwin appeared — the U.S. Court of Appeals has ruled, 3 to 0, that the bureau may have unjustifiably withheld some of the requested information. The FBI initially provided several thousand pages from its files on Baldwin, some heavily blacked out. But Campbell's lawsuit challenged the bureau's refusal to turn over additional records showing how agents monitored Baldwin's civil rights activities and his contacts with alleged communists during the 1960s.

Ah, What a Year It Was: From Sex to . . . Sex

By Dave Barry

MIAAMI — Last year, when I wrote my annual Year in Review, I looked at the events of 1997 and I concluded that there could not possibly ever again be a year as pathetic as that one.

Boy, was I a moron.

I'm not saying that 1998 was ALL bad. There were some moments that made us feel good about ourselves. Mark McGwire hitting that 62d home run was certainly one such moment. And then there was . . . Let's see . . . O.K., how about Mark McGwire hitting that 63d home run? THAT certainly made us feel good about ourselves!

The main reason we felt bad about ourselves, of course, was the story that totally dominated the news of 1998 — the story that at first fascinated us, but that was hyped and hammered on so relentlessly by the shrieking, hysterical, obsessive news media that we finally just wished it would GO AWAY so we could get on with our lives. I am referring, of course, to the last episode of "Scinfeld."

JANUARY

The economy is sizzling, and millions of small investors, overcoming their fear of getting burned in the stock market, are being lured by the siren call of Wall Street. "Here, little investor!" calls Wall Street. "Don't be afraid! C'mon, boy! Here li'l 'vestor 'vestor 'vestor!"

But while ordinary Americans are withdrawing their life savings and selling kidneys to plunge deeper into the stock market, ominous clouds begin to appear on the horizon, particularly in Asia, where the financial community is troubled by the news that Japanese banks have invested \$17 billion in the New York State lottery.

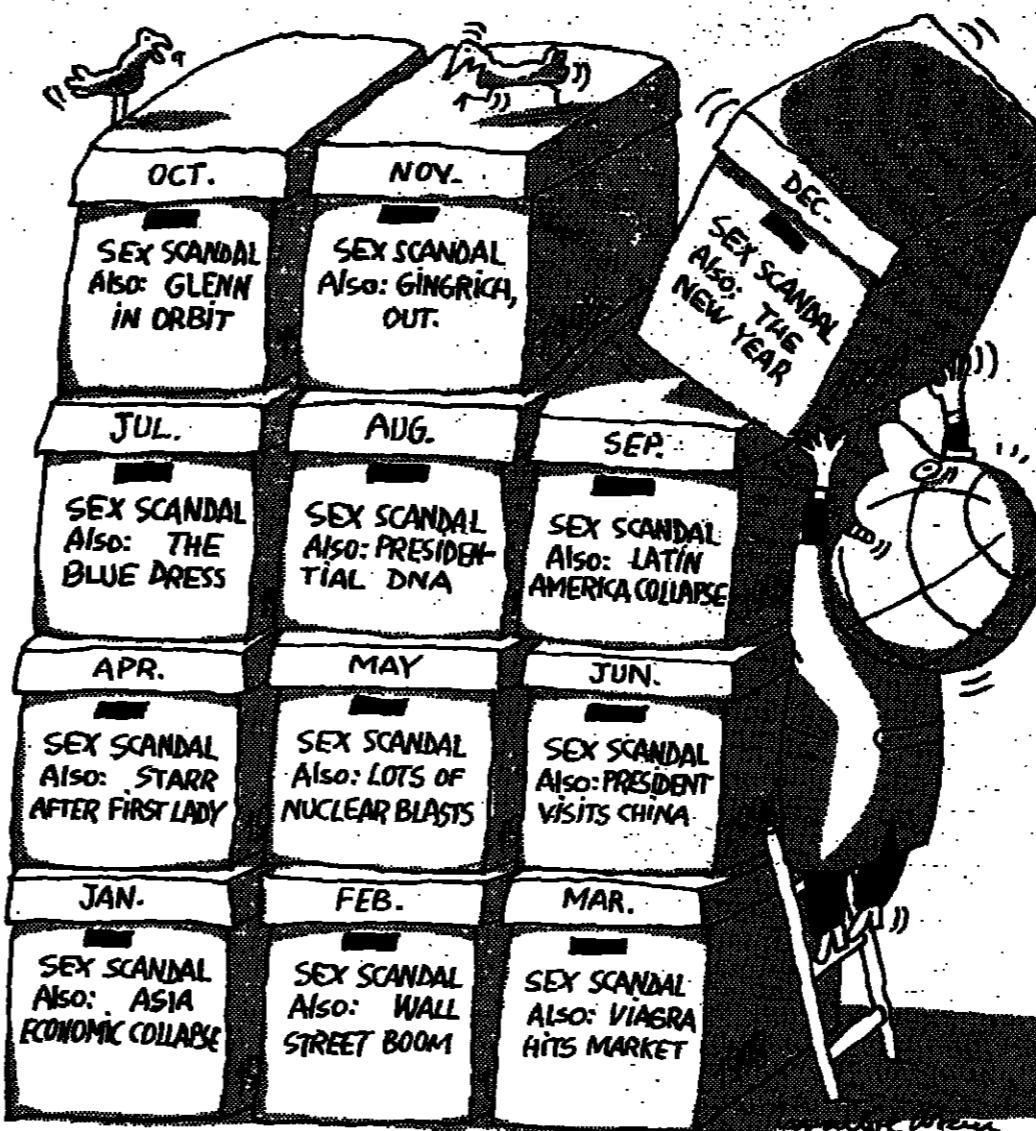
The year starts to go downhill in mid-January when word leaks out of a shocking development in the ongoing investigation by the special prosecutor Kenneth Starr, who has by this point traced the White-water scandal back to the administration of William Howard Taft.

Spokespersons for President Bill Clinton are quick to respond to the new allegations, pointing out that the Monica Lewinsky scandal is a distraction that makes it difficult for the president and his advisers to carry on the important work of responding to all the older allegations. But the president himself is less than convincing at first. When directly asked, if he had an affair with Lewinsky, he replies: "Yes. I mean, no!"

FEBRUARY

Things are heating up in the Middle East, specifically Iraq, where suspicions are aroused that Iraq might be manufacturing illegal weapons of mass destruction when UN weapons inspectors spot Saddam Hussein at a building dedication ceremony cutting a ribbon and stating, "I hereby declare this factory for making illegal weapons of mass destruction open!"

In other international news, the Asian economic crisis continues to worsen with the discovery by the International Monetary Fund that Malaysian banks have spent \$27 billion on phone sex. None of this causes any concern in the United States, where small investors con-



month comes from the U.S. space program launches 77-year-old John Glenn into space. The mission costs \$2.3 billion, but Glenn receives a \$36 million senior-citizen discount, and through his experiments in orbit NASA is able to obtain invaluable information about how weightlessness affects older people. "Apparently," NASA reports, "it causes them to float around."

NOVEMBER

Elections are held nationwide, giving the Republican Party (motto: "There's Plenty More Where Bob Dole Came From!") a chance to show its tactical skill. With every poll showing that the public is overwhelmingly sick of the sex scandal and does not want to hear one more word about the sex scandal, shrewd Republican strategists elect to spend millions of dollars to broadcast TV commercials harping on the sex scandal! This does not sit well with the estimated 83 Americans who actually vote in the election: they resoundingly reject the Republican message, forcing Newt Gingrich to resign as speaker of the House of Representatives to pursue a long-postponed career in the private sector as a stocky person with an annoying voice.

On the scandal front, the president finally settles with Paula Jones, who gets \$850,000 and a two-year appointment as Secretary of Education.

But the big story of November occurs on the international front, when the United States finally gets sick and tired of having its chain yanked by Saddam Hussein and decides to take care of him once and for all, using military force.

After Iraq repeatedly refuses to allow weapons inspections, a determined President Clinton orders U.S. bombers into the air. Just as they reach the Iraqi border, the president receives an urgent fax from Saddam stating: "I'M SORRY!" So the president orders the bombers to turn back. Then he receives another urgent fax from Saddam stating: "NOT!" So he orders the bombers to turn around again. Then he receives yet ANOTHER urgent fax from Saddam stating: "GOTCHA! HA HA!" So he orders the bombers to turn around again, but by this time they have run out of fuel and are forced to ditch in the Gulf.

DECEMBER

NASA, elated over the publicity generated by the John Glenn shuttle mission, announces plans to send up the Spice Girls.

On Wall Street, all the major corporations in the world announce that they are merging into one single gigantic company with a name so long that nobody will be able to read it without going blind.

This exciting news propels stock prices to record levels, and financial experts agree that they will probably keep going up forever and make everybody rich, especially small investors who jump in now. "Here, li'l 'vestor! C'mon, li'l 'vestor 'vestor 'vestor . . ."

The most uplifting story of the

time to be lured by the siren song of Wall Street. "Have some candy, li'l 'vestors!"

MARCH

Suspicion grows that Saddam may be violating the terms of the latest weapons agreement when a team of UN inspectors, having requested permission to view a suspected chemical-weapons facility in Baghdad, is escorted by Iraqi officials to what is later determined, by computer-assisted intelligence analysis, to be a Dairy Queen in Danbury, Connecticut.

The big development is the anti-impotence drug Viagra, which is finally approved by the federal government following the delivery of what is described as a "courtesy trial sample" consisting of seven tons of the blue pills, to the home of influential Senator Strom Thurmond (R-Deceased). Viagra is an immediate sensation, both in pill form and as an additive to the water supply in retirement communities.

APRIL

Kenneth Starr grills the first lady, Hillary Rodham Clinton, for five hours in front of a grand jury, but is unable to link her to a series of convenience-store robberies in Newark, New Jersey.

MAY

The scariest international news comes from India, which shocks the world by setting off three underground nuclear blasts. Fears that India's action will trigger a new arms race are soon realized when, 17 days later, India's archenemy Pakistan

sets off a nuclear device of its own; and then a few days after that, Earl A. Crabbick of East Orange, New Jersey, who according to neighbors "doesn't get along with anybody," sets off HIS nuclear device.

JUNE

President Clinton visits China. Although the president is unable to get the Chinese to agree to any major concessions on human rights, he is able to obtain what a high-level State Department source describes as "a real nice statuette of a yak."

JULY

The coveted World Cup, in a major upset, is won by the tightly regarded team from Iraq, whose players wear gas masks and whose opponents wind up writhing on the field, wracked by mysterious illnesses. Meanwhile, suspicious mount that performance-enhancing drugs are being used in the Tour de France bicycle race when an Italian cyclist is clocked going uphill at 138 miles an hour.

The special prosecutor's office wins a big round in court when it is awarded custody of Lewinsky's coveted blue dress, which, according to a source in the prosecutor's office, "looks terrific on Ken."

AUGUST

The scariest international news comes from India, which shocks the world by setting off three underground nuclear blasts. Fears that India's action will trigger a new arms race are soon realized when, 17 days later, India's archenemy Pakistan

sets off a nuclear device of its own; and then a few days after that, Earl A. Crabbick of East Orange, New Jersey, who according to neighbors "doesn't get along with anybody," sets off HIS nuclear device.

OCTOBER

Prime Minister Benjamin Netanyahu of Israel and the Palestinian leader Yasser Arafat meet with President Clinton at the secluded Wye Plantation in rural Maryland.

After a week of exhausting, round-the-clock meetings, they come up with a historic peace agreement, which is rushed by military jet back to the Middle East to be broken.

The most uplifting story of the

year is the one about James Baldwin, the man who was blacked out of the FBI's files for 10 years. The court of appeals has ruled that the bureau may have unjustifiably withheld some of the requested information. The FBI initially provided several thousand pages from its files on Baldwin, some heavily blacked out. But Campbell's lawsuit challenged the bureau's refusal to turn over additional records showing how agents monitored Baldwin's civil rights activities and his contacts with alleged communists during the 1960s.

They battled for years, but once Sylvester and Tweety got together to pose for postage, their portrait became the top stamp of the year. The U.S. Postal Service says that nearly 38 million stamps featuring the battling cat and canary were saved by collectors in 1998, beating their nearest rivals by several million. Even so, Tweety and Sylvester fell far short of the all-time most popular U.S. postage stamp, the 1993 Elvis Presley commemorative, of which more than 124 million were collected by stamp aficionados.

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